

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934. For the Fiscal Year Ended July 31, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
EXCHANGE ACT

For the transition period from _____ to _____



SOURCE GOLD CORP.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation)

000-54840
(Commission File Number)

46-1814729
(IRS Employer Identification
Number)

200 S. Virginia Street
Reno, NV 89501
(Address of principal executive offices)

(775) 398-3134
(Registrant's Telephone Number)

1155 Camino Del Mar, #162
Del Mar, CA 92014
(Former Address of Principal Executive Offices)

Securities Registered Pursuant to Section 12(b) of
the Act:

Securities Registered pursuant to Section 12(g) of
the Exchange Act:

Common Stock, par value \$0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of January 31, 2014 was \$104,582 based upon the price (\$0.0008) at which the common stock was last sold as of the last business day of the most recently completed second fiscal quarter, multiplied by the approximate number of shares of common stock held by persons other than executive officers, directors and five percent stockholders of the registrant without conceding that any such person is an "affiliate" of the registrant for purposes of the federal securities laws. Our common stock is not traded in the over-the-counter market and quoted on the Over-The-Counter Bulletin Board.

As of October 16, 2014, there were 3,046,433,130 shares of the registrant's \$0.001 par value Common Stock issued and outstanding.

Documents incorporated by reference: None

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections. We may use words such as "anticipate," "expect," "intend," "plan," "believe," "foresee," "estimate" and variations of these words and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted. These risks and uncertainties include the following:

- The availability and adequacy of our cash flow to meet our requirements;*
- Economic, competitive, demographic, business and other conditions in our local and regional markets;*
- Changes or developments in laws, regulations or taxes in our industry;*
- Actions taken or omitted to be taken by third parties including our suppliers and competitors, as well as legislative, regulatory, judicial and other governmental authorities;*
- Competition in our industry;*
- The loss of or failure to obtain any license or permit necessary or desirable in the operation of our business;*
- Changes in our business strategy, capital improvements or development plans;*
- The availability of additional capital to support capital improvements and development; and*
- Other risks identified in this report and in our other filings with the Securities and Exchange Commission or the SEC.*

This report should be read completely and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements included in this report are made as of the date of this report and should be evaluated with consideration of any changes occurring after the date of this Report. We will not update forward-looking statements even though our situation may change in the future and we assume no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Use of Term

Except as otherwise indicated by the context, references in this report to “Company”, “SRGL,” “we”, “us” and “our” are references to *Source Gold Corp.* All references to “USD” or United States Dollars refer to the legal currency of the United States of America.

PART I

ITEM 1. BUSINESS

Company Overview

We are an exploration state company that intends to engage in the exploration of mineral properties. We had acquired three mineral claims through our wholly owned subsidiaries Northern Bonanza, Inc., an Ontario corporation, (“Northern Bonanza”) and Source Bonanza, LLC, a Nevada limited liability company, (“Source Bonanza”), and have an option to acquire a fourth set of claims in British Columbia. None of these properties possesses known mineral reserves. All of our subsidiaries are currently inactive, or revoked by their state or province of incorporation. Exploration of these mineral claims is required before a final determination as to their viability can be made.

On March 24, 2014, our Company filed a certificate of amendment with the Nevada Secretary of State to give effect to an increase in the Company’s authorized capital from 900,000,000 to 2,980,000,000 shares of common stock with a par value of \$0.00001.

On March 25, 2014, The Corporation appointed Edward Aruda, to the positions of the President, Treasurer, Secretary and as a Director, effective immediately. The Board of Directors also accepted the resignation from Dhugald Pinchin from all capacities to the Corporation effective immediately. His resignation is for personal reasons and is not in connection with any known disagreement with the Company on any matter.

On July 25, 2014, our Company filed a certificate of amendment with the Nevada Secretary of State to give effect to an increase in the Company’s authorized capital from 2,980,000,000 to 7,980,000,000 shares of common stock with a par value of \$0.00001.

Northern Bonanza held or possessed an option to acquire a partial interest in the following claims in Ontario, Canada:

- **Southern Beardmore Claims**
 - A group of 21 mineral claims in the Beardmore Area and the Mary Jane Lake Area, 3 km south of Beardmore, Ontario, Canada.
- **KRK West Claims**
 - Northern Bonanza entered into an agreement that gave them the option to acquire an undivided 50% interest, in 19 mineral claims known as the KRK West Claims, located north of Thunder Bay, Ontario, Canada. The foregoing agreement is now the subject of a lawsuit between us and the other party to the agreement.

Source Bonanza owned a 100% membership interest in Vulture Gold, LLC, a Nevada limited liability company. Vulture Gold was the owner of the mineral rights to 27 unpatented mineral claims located in Maricopa County Arizona.

During the quarter ended April 30, 2012, we also entered into a property option agreement to acquire all mineral interests in three quartz claims located in British Columbia. If the option is exercised, then we will have the right to perform mining exploration work on the claims.

Southern Beardmore Claims.

On May 4, 2010, we acquired a group of 21 contiguous mineral claims in the Beardmore Area and Mary Jane Lake Area, near Beardmore, Ontario for \$51,800 (CDN).

Location and Means of Access to Southern Beardmore Claims.

The property consists of nineteen contiguous mineral claims. The area of the property is 269 hectares. The northern boundary of the property is 3 kilometers south of Beardmore, Ontario on Highway 11. Highway 11 transects the property. Old logging roads also cross the property.

Title to Southern Beardmore Claims.

We only held the mineral rights to the Southern Beardmore Claims. We did not possess surface rights to the property. There are no royalties; back in rights payments or other agreements and encumbrances to which the property is subject. Additionally, there are no environmental liabilities to which the property is subject or permits that must be acquired to conduct the work proposed.

Previous Operations on the Southern Beardmore Claims.

There have been no prior operations on these claims.

Present Condition of Southern Beardmore Claims.

At the moment there are no established mineralized zones, mineral resources, mineral reserves and mine workings, tailing ponds, waste deposits and important natural features and improvements, relative to the outside property boundaries.

Work Completed on the Southern Beardmore Claims.

No work has been completed on the claims with the exception of certain airborne survey work, discussed below.

Proposed and Current State of Exploration and Development on the Southern Beardmore Claims.

During the year ended July 31, 2010, we incurred an additional \$17,741 in staking costs in relation to these claims. Subsequent to acquisition the claims and exploration costs were transferred to Northern Bonanza at cost.

During the year ended July 31, 2010, we made exploration advances to the operator amounting to \$47,806. As of July 31, 2010 the operator had incurred exploration expenses aggregating \$20,118 resulting in net advances held being \$26,968. During the year ended July 31, 2011, we made further advances to the operator of \$7,040.

During the year ended July 31, 2011 the operator incurred exploration expenditures of \$34,008 and we also incurred direct exploration expenditures of \$47,335. Our direct exploration expenditures were primarily a fixed-wing airborne survey and a 43-101 report produced for the property.

Due to lack of funding, we have no immediate plans to explore these mines to determine resources available and consequently the costs incurred of \$68,599 for these mineral properties was deemed to be fully impaired as of July 31, 2011.

No Known Presence of Reserves on the Southern Beardmore Claims.

The proposed program is exploratory in nature and there are no known reserves on the property.

Rock Formations and Mineralization of Existing or Potential Economic Significance on the Southern Beardmore Claims.

Regionally a swath of metavolcanic-metasedimentary rocks runs from Geraldton to Beardmore. The metavolcanic rocks are host to numerous showings and former producers of gold and silver. A metasedimentary sequence consists of both clastic and chemical metasediments. These are rocks from two northeast trending belts and occur to the northwest and southeast of the central volcanic belt. The northern belt is about 3.4 km thick; the southern belt is in excess of 5.4 km. The Northern Bonanza claim group lies entirely within the southern belt. The clastic metasediments are wacked with minor intercalated siltstone and mudstone. The chemical metasediments comprise ironstone units 1-2 m thick bedded in the metavolcanics. The metavolcanics comprise mafic to intermediate flows in a belt 2.0 to 2.5 km wide and trend northeasterly between the two metasedimentary units. The metavolcanic flows are dark green to greenish black in color and typically consist of a massive medium grained basal part, a finer middle portion and a fine-grained to aphanitic upper part, which may be pillowed, amygdaloidal and/or variolitic. Proterozoic rocks comprise diabase sills of medium grain size and massive texture and form topographic highs in outcrop. Precious metals occur (i) in quartz and quartz-carbonate veins almost exclusively in metavolcanics but also in metasediments and (ii) in quartz veins in chert-hematite-magnetite-grunerite ironstone units interlaced with the mafic metavolcanics.

Impairment of the Southern Beardmore Claims.

Although we possess a plan of exploration for the Southern Beardmore Claims, we do not possess the resources to execute on that plan. Additionally, while it is our goal to raise capital to finance the exploration, there is no assurance of additional funding being available or on acceptable terms, if at all. Consequently, we have no immediate plans to explore these mines to determine resources available and consequently the costs incurred of \$68,599 for these mineral properties was deemed to be fully impaired as of July 31, 2011.

The KRK West Claims

Location and Means of Access to KRK West Claims.

The property consists of 19 claims covering 15 square miles. It is located north of Thunder Bay in the Beardmore area of Northwestern Ontario, Canada. The nearest townships to the property are Pifher, Sandra, and Meade. The property can be accessed Access via Hwy 11 through the Village of Beardmore to Hwy 801.

Option Agreement

On October 26, 2009, we entered into an agreement with Thunder Bay Minerals, Inc. (the "Agreement" and "Thunder Bay", respectively) under which we were granted an option to acquire an undivided 50% interest in 19 mineral claims known as the KRK West Claim, located north of Thunder Bay, Ontario, Canada. We were in a dispute with Thunder Bay regarding the ownership of the claims. The dispute is discussed more fully in the following section titled "Separate Purchase of KRK West Claims" and in Item 3 Legal Proceedings

Detailed below are the payments we have made to date and the payments we will be obligated to make in the future if the dispute with Thunder Bay is not resolved in our favor.

- Pay \$110,000 (CDN) to Thunder Bay with \$50,000 (CDN) of that amount due upon execution of the Agreement before commencing due diligence of the claims (paid) and the balance of \$60,000 (CDN) on or before December 1, 2009 (paid);
- Incur \$500,000 (CDN) in expenditures on the claims before December 31, 2010 and \$500,000 in expenditures on the claims before December 31, 2011; and
- Issue 2,000,000 shares of our common stock to the shareholders of Thunder Bay within 30 days of closing the transaction.
-

Exploration expenditures of \$484,768 (CDN\$500,000) on or before December 31, 2010, and \$969,268 (CDN\$1,000,000) in aggregate on or before December 31, 2011.

- In aggregate to July 31, 2011, the Company incurred exploration expenditures aggregating \$32,080 (CDN\$32,836)

Pursuant to the agreement, if commercial production had been achieved and we sold or otherwise disposed of metals and minerals that had been produced and removed from the KRK West properties, we would pay Thunder Bay a 3% Net Smelter Return royalty.

In the event we sold or caused the sale of products other than to a smelter or refinery or otherwise caused the removal of products from the property, we would pay a 2% Net Smelter Return Royalty. Alternatively, we could buy back the royalty right for \$1,000,000 for each breccia pipe that reached commercial production.

The property option agreement was stated in Canadian dollars. The US dollar equivalent was converted using the foreign exchange rate at July 31, 2010 for all future commitments.

During the year ended July 31, 2010, we learned that the optionor had allowed the underlying claims to lapse, and therefore the option agreement was null and void.

We and our former sole officer and director, Lauren Notar, purchased the claims from persons who re-staked the claims for an aggregate amount of \$27,577. We subsequently purchased these claims from our former sole officer and director. Subsequent to acquisition, the claims were transferred to our then, wholly owned subsidiary, Northern Bonanza Inc.

The original optionor represents that control of the claims remains with the option or and that we have no right to further explore the property. We disagree with this assertion and accordingly, ownership to the claims is in dispute. On January 6, 2011, the Ministry of Northern Development, Mines and Forestry, Canada, was to adjudicate upon the ownership of the claims. The hearing did not occur as the other party filed for a change of venue. A determination regarding the change of venue has not been made and a date for rendering the decision has not been established. Mediation regarding the matter was deferred until late 2011 and prior to the hearing the optionor cancelled the mediation.

In October 2011, we, as a result of the cancellation of the mediation hearing with William J. Wheeler regarding the Thunder Bay claims, decided the best course of action was to file suit. Accordingly, a suit was filed against Thunder Bay and Wheeler in Ontario Superior Court of Justice. In the suit we detail the breach of the Agreement by Thunder Bay and Wheeler and request:

- An order transferring an application regarding mining claims pending before the Office of the Mining and Lands Commissioner to the Ontario Superior Court of Justice to be consolidated with this action;
- A declaration regarding our ownership and Thunder Bay and Wheeler's ownership with respect to certain mining claims; and
- \$1,200,000 in damages from Thunder Bay and Wheeler.

The Company entered into a formal settlement agreement with a vendor to settle an amount due of Cdn\$34,000 by monthly installments of Cdn\$5,000 commencing May 15, 2011. As of October 22, 2014, Cdn\$30,000 of the total amount due has been paid.

Previous Operations on the KRK West Claims.

The KRK West property encompasses many previous prospects and occurrences that, since 1930, have been the subject of many prospecting, geophysics, and diamond drilling as well as high grading conducted by operators dating back between 1930-1950 where copper and gold mineralization was identified.

Present Condition of KRK West Claims.

At the moment there are no established mineralized zones, mineral resources, mineral reserves and mine workings, tailing ponds, waste deposits and important natural features and improvements, relative to the outside property boundaries

Work Completed on the Claims and Proposed and Current State of Exploration and Development on the Claims.

We have undertaken an initial trenching, sampling, and geological mapping program on the KRK West Claims. The samples are being assayed by Accurassay Laboratories in Thunder Bay, Ontario, Canada.

Based upon the initial exploration program of trenching, channel sampling, geological mapping and a TEM survey covering our claim group on over 15 square miles of the KRK West Property, we have identified three main areas of interest.

The first area of interest is the Little Brother Claim Group, where a number of samples were taken from an area along a northern grandiorite with intermediate volcanics, which yielded visible gold occurrences.

The second area of interest is close to the eastern portion of the property east of Peddle Lake. This area is the most active on the property where a number of drill collars belonging to a previous operator were drilled during the 1970's. The ground observations in the trenches and historical assessment have indicated a large disrupted zone carrying the potential for significant gold and silver values.

The third area of interest is the most westerly area of the property near Musca Lake, along a continuous shear zone. The Musca Lake zone consists of a quartz flooded shear which pinches and swells along its strike length.

Although we have not established an overall exploration budget for the KRK West claims at this time, we intend to continue with an exploration program centered on the major fault lines and areas of interest which traverse the KRK West mineral claims. Accurassay Laboratories is currently processing more than 250 trench samples from our three main areas of interest on the KRK West Property.

No Known Presence of Reserves on the KRK West Claims.

The proposed program is exploratory in nature and there are no established reserves on the property.

Rock Formations and Mineralization of Existing or Potential Economic Significance on the KRK West Claims.

The property is located within the Northern Felsic Metavolcanic Belt. Intermediate crystal-lithic tuff is the dominant rock type and underlies most of the property. These tuffs consist of intermixed units of crystal tuffs containing feldspar crystals and lithic tuffs containing fragments of felsic to intermediate composition. Felsic crystal tuffs are easily identified by the presence of quartz-eyes within a light gray crystal tuff. The rock weathers to a very distinctive porcellaneous buff-white color. The felsic crystal tuff forms two prominent east-west trending horizons within the intermediate crystal-lithic tuff in the southern half of the western portion of the property and can be traced to the western boundary. The felsic horizons vary in width from 25 to 120 meters, and can be traced for a length of 2.8 kilometers.

Gold occurs on the property associated with white quartz veins and pyritic horizons within felsic crystal tuffs and quartz-feldspar porphyry. Earlier exploration identified quartz veins and mineralized shear zones within felsic and mafic intrusions. Base and precious metals are found all over the property. The KRK West property encompasses many previous well known prospects and occurrences that since 1930 have been the subject of many prospecting, geophysics, and diamond drilling as well as high grading conducted by operators dating back between 1930-1950 where copper and gold mineralization was identified.

Impairment of the KRK West Claims.

We impaired a total of \$131,295 of acquisition costs incurred as of July 31, 2010 made up of the initial \$103,718 payment and the additional payment of \$27,577

Vulture Peak Property and Gold Point Claim Group.

On August 7, 2010, we entered into an agreement with Vulture Gold LLC (“Vulture”), to purchase 100% of Vulture’s outstanding membership interests in consideration for 4 million shares of our common stock. Vulture is the owner of the mineral rights to unpatented mineral claims located in Maricopa County Arizona known collectively as the Vulture Claims.

Location and Means of Access to Vulture Claims.

The property is located approximately 15 km to 17 km southwest of Wickenburg in Maricopa County, Arizona. It consists of 27 claims located in Section(s) 23, 24, 25, 26, 35 and 36, T.6N., R.GW., and in Section(s) 3D, T.6N., R.5W., Maricopa County, Arizona. Each claim is approximately 20.7 acres with a total property area of 476.1 acres, configured in three separate blocks.

The property can be accessed from Wickenburg through Vulture Mine Road south from State Highway 60. Wickenburg is located 85 km (53 miles) NW of Phoenix; 98 km (61 miles) S of Prescott; and 206 km (128 miles) SE of Kingman. Wickenburg is connected with Phoenix through State Highway 60 south; and to Prescott and Kingman through State Highways 89 and 93 respectively. Wickenburg is one of the railway stations for Prescott-Phoenix branch of Santa Fe Railway. From Vulture Mine Road various gravel roads traverse through different areas of the property providing access to almost all the mineral claims.

Title to Vulture Claims.

The Vulture Claims were owned by Vulture Gold, LLC, which was owned 100% by Source Bonanza. The following claim maintenance fees are applicable for the property:

- Bureau of Land Management Claim Maintenance Fee equals \$125 per claim per year (\$3,625 each year, due on or before September 1)
- Maricopa County Recorder "Notice of Intent to Hold" Fee = \$104 per year (due on or before November 1).
- A "Mineral Exploration Permit" application will be required to get a permit for the proposed exploration work to be carried out on the property. A minimum bond required is \$3,000 but the actual bond amount is based upon the type of exploration and the degree of disturbance. The department responsible for issuing this is the Minerals Section of the Arizona State Land Department. Additionally, the Arizona State Land Commissioner, at his discretion, may also change the amount of the damage and restoration bond when warranted by any changes in the Plan of Operation.

Previous Operations on the Vulture Claims.

The Vulture Claims were part of the historical Red Cloud Mine, Vulture Mine, Vulture Mine Extension, and Mohawk Mines. The first prospecting party to explore the mountains of north-central Arizona was guided by Pauline Veaver, a pioneer trapper and Indian Scout of the period. Henry Wickenburg, one of the party members, while prospecting south of Wickenburg located the Vulture lode in 1863. He established a camp on the Hassayampa River six miles east of the location, and for the next three years worked the richer parts of the outcrop ore. No records are available for his production.

In November 1, 1866, the Vulture Claims and adjoining area was acquired from Wickenburg by the Vulture Company of New York. This company established a camp at the mine, and built a forty stamp amalgamation and concentration mill at Wickenburg. This pioneer company operated steadily from 1867 to July 1872. Chinese miners were employed. Concentrates were stored, and the production was in gold bullion saved on the plates. The property was closed due to excessive transportation costs and to the apparent pinching of the ore at water level.

In 1870 a new corporation was formed to operate the Vulture and Vulture Extension of Taylor and Smith. This company was known as the Arizona Central Mining Company. Vulture Extension property was reportedly located to the north of the Vulture Mine and is believed to be located on claim 27 and 28, an area staked by Gold Point LLC. An 80 stamp mill was built at the mine, and water was pumped from Hassayampa at Seymour, through

a seven mile pipe line. Power was supplied by wood burning boilers. Work was continued by this company for nine years on a large scale. A great deal of very low grade ore was treated. No exact figures are available on the production but scattered estimates of the Art one Daily Star and U.S. Mint reports indicate a probable gross of 3,000,000 ounces. The mine was worked down about 300 feet to a fault which cut off the ore body.

In 1908 the property was acquired by the Vulture Mines Company. This company at first used 20 stamps of the Arizona Central Company mill. In 1910 a new 20 stamp mill was erected driven by gasoline engine, which treated from 100 to 120 tons a day of ore. This company operated the mine up to 1917. The gross output of this company which worked on the faulted segment of ore was \$1,839,375, 30 percent of which was concentrates and 70 percent bullion.

In 1927 D.R. Finlayson acquired the property and organized the Vulture Mining and Milling Company. A 5-stamp amalgamation mill was built at the mine using water pumped from the mine, power being supplied by Diesel engine. Old pillars were treated.

In 1929, a diamond drill campaign was started, after a careful geological study, to prospect for the second faulted segment of the ore. Vein matter carrying free gold was encountered. Financial help was enlisted from the United Verde Extension Mining Company of Jerome. In 1930 and 1931 an 800 foot shaft was sunk to prospect the ground cut by the drill. A large vein was encountered. After six months lateral work and a little drilling, work was abandoned.

Present Condition of Vulture Claims.

There are several areas of past producing mines and old workings located on the property. Detailed below are some of the old workings on the property.

- Red Cloud Mine
 - This shaft is located at 0329733 E, 3745506 N at an elevation of 2,222 ft. (692 m). The shaft area is fenced. Mine dump material is lying in the immediate surrounding area. Groundwater was observed in the shaft by throwing a piece of rock in the shaft and is estimated to be at a depth of 60 to 80 m below ground surface. Three old trenches were observed; two on the west and one on the east side along strike of this shaft.
- Red Cloud Mill and Shaft
 - An old shaft, foundations of a stamp mill and an approximately 30 m long trench was observed at this location. A small dump of old milling material was also observed.
- Vulture Mine Extension
 - This area is marked by the presence of a shaft, an abandoned mill site with remnants of hoist, head frame, ball mills, generator, etc. This area is located on Vulture claim at 0330263 E, 3744219 N with an elevation of 2162 ft. (659 m). The shaft is fenced and was observed to be plugged with rock material at 6 to 7 m depth.
- Mohawk
 - Gold Point claims 27-29 located immediately to the west of Vulture Mine private property were historically called Mohawk group of claims reportedly located 2 miles (3 km) to the west of historical Vulture and Black Hawk mines. Historical work done in this area included a shaft down to about 48 feet which passed through 24 feet of ledge matter.

Work Completed on the Vulture Claims.

During the years ended July 31, 2013 and July 31, 2012, we incurred exploration expenditures of \$3,317 and \$3,317 on the property.

Due to lack of funding, we have no immediate plans to explore these mines to determine resources available and consequently the costs of \$2,000,000 incurred for these mineral properties is deemed to be fully impaired.

Proposed State of Exploration and Development on the Vulture Claims and Impairment of Vulture Claims.

We have not carried out any substantive exploration work on the property. However, on March 13, 2008 Gold Point LLC, the party that staked the current Vulture Claims, contracted Fred B. Brost, P.E. to carry out rock sampling on Red Cloud, Red Rock, and Vulture claims. A total of six samples were collected during this work at various locations. The samples were analyzed at Jacobs Assay Office in Tucson. Following receipt of the assay results, we retained a geologist to conduct a study and produce a report on the exploration potential of the property. He recommended the following two stage exploration program:

No Known Presence of Reserves on the Vulture Claims.

The proposed program is exploratory in nature and there are no known reserves on the property.

Rock Formations and Mineralization of Existing or Potential Economic Significance on the Vulture Claims.

Mineralization on the claims and adjoining areas can be classified into three types: i) mineralized veins, ii) porphyritic masses of rock, iii) mixed deposits in which veins and porphyry are both present.

Mineralized Veins.

Fractures filled with quartz and other veining material was observed at places on the claims but no strong or regular veins were located. Most of the veins are at the contact of volcanics and metasediments. Gold, silver and other metals may concentrate in quartz veins and in silicified and altered rocks. Some irregular quartz veins were observed in schistose rocks where vein filling occur mainly along the cleavage of schist.

Porphyritic Masses of Rock.

At many places quartz monzonite volcanic dykes were observed containing pyrite in disseminated crystalline grains with in porphyritic masses of rocks. The distribution of this sulphide looks like independent of fractures or fracture filling. Moderate to severe alteration of dykes and wall rocks has converted feldspar and mafic minerals to a fine grained sericite, hematite, and clay minerals. Altered dyke rocks commonly consist of quartz "eyes" in a fine-grained matrix of alteration minerals. Conceptual restoration of the rocks of the Vulture mine area to their pre-rotations orientation reveals that the mineralization and alteration originally occurred along a north-northeast-trending subvertical dyke that projected upward from the structural top of a Cretaceous granitoid pluton. The association of gold with dyke and gradation of the dyke into the granitic rocks of the pluton indicate that gold mineralization was intimately related to Cretaceous magmatism and dyke emplacement. Later erosion and subsequent burial by lower Miocene volcanic rocks was followed by structural dismemberment and tilting and eventual uncovering by late Cenozoic erosion.

Mixed Mineralization.

Combined veining and porphyritic style of mineralization was observed to be a common feature especially on Gold Point Vulture claim and Gold Point claims 27-29 located in the southwestern part of the property. Granitoid rocks are intersected by porphyritic volcanic rocks in these areas. Hematitic alteration is common and covers large areas at the contact of granite and volcanic dykes.

Impairment of the Vulture Claims.

Although we possess a plan of exploration for the Vulture Claims, we do not possess the resources to execute on that plan. Additionally, while it is our goal to raise capital to finance the exploration, there is no assurance of additional funding being available or on acceptable terms, if at all. As a result, we have fully impaired the value of the Vulture Claims.

British Columbia Claims.

On March 28, 2012, we entered into a property option agreement with Blair Naughty (“Naughty”), an individual, to acquire all mineral interests in three quartz claims located in British Columbia (the “Agreement” and the “British Columbia Claims”, respectively). The British Columbia Claims cover approximately 2,785 acres in Northern British Columbia on the Yukon Border. Pursuant to the terms of the Agreement:

- We can acquire mineral interests in and to the British Columbia Claims by 1) paying to Naughty \$5,000 within 5 days of the effective date of the Agreement (paid), 2) issuing to Naughty 1,000,000 shares of our common stock (issued) and 3) incurring expenditures (as defined in the Agreement, a copy of which is attached as Exhibit 10.1 to our Form 10-Q for the quarter ended April 30, 2012, which was filed on June 14, 2012) of \$25,000 on or before September 15, 2013 for the purpose of developing the British Columbia Claims. A further description of the British Columbia Claims can be found in Exhibit A to the Agreement;
- We can serve as the operator on the British Columbia Claims;
- Naughty will retain a 3.0% royalty in the British Columbia Claims. A further description of the royalty on the British Columbia Claims can be found in the Agreement;
- Under certain terms and conditions we will have the ability to purchase 2% of the 3% royalty held by Naughty;
- If Naughty desires to sell the royalty, then we have a first right of refusal;
- We can assign the agreement with the consent of Naughty;
- We and Naughty agreed to the establishment of an area of common interest which covers all land within 2 kilometers of the British Columbia Claims. If Naughty acquires mining permits in such area of common interest, then he must offer us the mining permits at staking cost plus 20%. If acquired, the mining permits would fall under the terms of the Agreement;
- Conduct such prospecting, exploration and development work as we deem advisable; and
- Remove and dispose of reasonable quantities of ores, minerals and metals for the purpose of obtaining assays or making other tests.

The foregoing description of the Agreement does not purport to be complete and is qualified in its entirety by reference to the complete text of the Agreement attached as Exhibit 10.1 to our Form 10-Q for the quarter ended April 30, 2012, which was filed on June 14, 2012.

At this point in time we are still gathering information on the British Columbia Claims. Once we have gathered sufficient information, then there will be disclosures regarding the British Columbia Claims similar to the disclosures regarding our other claims.

Bitcoin Mining

The Company has entered into negotiations to acquire Bitcoin and Alternative digital currency mining technology which will allow the company to enter into the digital currency mining arena.

The Company is in the planning stages of developing a digital mine for the application of the technology currently subject to acquisition. The company has secured a source of servers available subject to the company receiving financing. The company anticipates the completion of negotiations, by August 1, 2014 with a due diligence period to be initiated upon completion.

The company is in discussions for financing for the server acquisition and expects to have a commitment prior to completion of negotiations or August 1, 2014.

The acquisition of the technology and financing commitment is subject to formal documentation which is being prepared subject to the completion of the final diligence process.

Source Gold intends to release more details on the location and the terms of the acquisition once the due diligence process has been completed.

Competition

The mineral exploration industry, in general, is intensely competitive and even if commercial quantities of reserves are discovered, a ready market may not exist for the sale of the reserves.

Most companies operating in this industry are more established and have greater resources to engage in the production of mineral claims. We were incorporated on June 4, 2008 and our operations are not well-established. Our resources at the present time are limited. We may exhaust all of our resources and be unable to complete full exploration of our various claims. There is also significant competition to retain qualified personnel to assist in conducting mineral exploration activities. If a commercially viable deposit is found to exist and we are unable to retain additional qualified personnel, we may be unable to enter into production and achieve profitable operations. These factors set forth above could inhibit our ability to compete with other companies in the industry and enter into production of the mineral claim if a commercial viable deposit is found to exist.

Numerous factors beyond our control may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in not receiving an adequate return on invested capital.

Compliance with Government Regulation

Canada.

The main agency that governs the exploration of minerals in the Province of Ontario is the Ontario Ministry of Northern Development, Mines and Forestry.

The Ontario Ministry of Northern Development, Mines and Forestry manages the development of Ontario's mineral resources, and implements policies and programs respecting their development while protecting the environment. In addition, the Ministry regulates and inspects the exploration and mineral production industries in Ontario to protect workers, the public and the environment.

The material legislation applicable to us is the Ontario Mining Act. In order to prospect on Crown lands in Ontario or stake out, record, or apply to record the staking of a mining claim, a person must be a holder of a prospector's license issued under the Ontario Mining Act. In order to obtain a license an application is made to the nearest Mining Lands office or other offices offering Mining Lands services of the Ministry of Northern Development, Mines and Forestry. Although a license is required for prospecting, unlicensed parties can perform pre-exploration activities including: geophysical/geochemical surveys, airborne geophysical surveys, limited stripping and trenching, limited bulk sampling and various forms of drilling can be conducted without a license.

Prospecting or preliminary exploration may require the following permits and approvals:

- Provincial permits associated with use of Crown land for road building, water crossings, tree cutting, burning of materials or approach to a Provincial highway. In addition, some of the permits required for activity on Crown land may require a limited Environmental Assessment;
- Federal approvals for crossing a watercourse designated as navigable; work near or within waters that are -fish habitat; exploration on First Nation Reserve land; or purchase and possession of explosives; and
- Municipal approvals for potential changes in land use, and sometimes for burning of materials.

If we progress past the exploration stage then the next three main stages in the development of a mining project are advanced exploration, development, operations, and closures. At such point in time as we move closer towards realizing each stage we will provide the major regulatory and permitting requirements to be taken into consideration.

In order to hold a claim in good standing or to apply for a lease, exploration work (referred to as assessment work) must be performed and reported to the Crown for approval within specified time limits. Qualifying assessment activities fall into two categories, those performed within 12 months prior to the recording of mining claims and those performed after the recording of mining claims. Activities in the former category are regional surveys such as airborne geophysics and regional or reconnaissance ground exploration and prospecting by a holder of a valid prospector's license. Activities in the latter category include prospecting and physical work such as manual, mechanical overburden stripping and bedrock trenching, and shaft sinking, driving adits and open cuttings.

United States.

The exploration, drilling, and mining industries in the United States operate in a legal environment that requires permits to conduct virtually all operations. A Mineral Exploration Permit application will be required to get a permit for the proposed exploration work to be carried out on the Vulture Claims. The department responsible for issuing this is the Minerals Section of the Arizona State Land Department (the "ALSD").

An exploration permit is valid for one (1) year, renewable up to five (5) years. An Exploration Plan of Operation must be submitted annually and approved by the ASLD prior to startup of exploration activities. A minimum bond required is \$3,000 but the actual bond amount is based upon the type of exploration and the degree of disturbance. The State Land Commissioner, an Arizona official, at his discretion, may also change the amount of the damage and restoration bond when warranted by any changes in the Plan of Operation.

Once a permit is issued then there are minimum expenditure requirements. If no work was completed on-site, the applicant can pay the equal amount to the department. An exploration permit does not permit its holder to conduct mining operations. If discovery of a valuable mineral deposit is made, then the permittee must apply for a mineral lease before actual mining activities can begin.

Employees

We have no employees as of the date of this report other than our President and CEO, Mr. Eddie Aruda. We conduct our business largely through agreements with consultants and other independent third party vendors. We do not anticipate hiring additional employees over the next twelve months.

Research and Development Expenditures

We have not incurred any research or development expenditures since our incorporation.

Environmental Laws

With the exception of the regulations discussed above, we have not incurred and do not anticipate incurring any expenses associated with environmental laws during the currently planned exploratory phases of our operations.

Subsidiaries

We currently do not have any subsidiaries.

Patents and Trademarks

We do not own, either legally or beneficially, any patent or trademark.

WHERE YOU CAN GET ADDITIONAL INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy our reports or other filings made with the SEC at the SEC's Public Reference Room, located at 100 F Street, N.E., Washington, DC 20549. You can obtain information on the operations of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can also access these reports and other filings electronically on the SEC's web site, www.sec.gov.

ITEM 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

An investment in the Company's common stock involves a high degree of risk. One should carefully consider the following risk factors in evaluating an investment in the Company's common stock. If any of the following risks actually occurs, the Company's business, financial condition, results of operations or cash flow could be materially and adversely affected. In such case, the trading price of the Company's common stock could decline, and one could lose all or part of one's investment. One should also refer to the other information set forth in this report, including the Company's consolidated financial statements and the related notes.

Our common stock is considered a "penny stock". The application of the "penny stock" rules to our common stock could limit the trading and liquidity of the Common stock, adversely affect the market price of our common stock and increase the transaction costs to sell those shares.

Our common stock is a "low-priced" security or "penny stock" under rules promulgated under the Securities Exchange Act of 1934, as amended. In accordance with these rules, broker-dealers participating in transactions in low-priced securities must first deliver a risk disclosure document, which describes the risks associated with such stocks, the broker-dealer's duties in selling the stock, the customer's rights and remedies and certain market and other information. Furthermore, the broker-dealer must make a suitability determination approving the customer for low-priced stock transactions based on the customer's financial situation, investment experience and objectives. Broker-dealers must also disclose these restrictions in writing to the customer, obtain specific written consent from the customer, and provide monthly account statements to the customer. The effect of these restrictions will likely decrease the willingness of broker-dealers to make a market in our common stock, will decrease liquidity of our common stock and will increase transaction costs for sales and purchases of our common stock as compared to other securities.

The company continues to use significant amounts of cash for its business operations, which could result in us having insufficient cash to fund the company's operations and expenses under our current business plan.

The Company's liquidity and capital resources remain limited. There can be no assurance that the Company's liquidity or capital resource position would allow us to continue to pursue our current business strategy. Any fluctuations or downturn in the securities market could adversely affect the value of our outstanding securities. As a result, without achieving growth in our business along the lines we have projected, we would have to alter our business plan or further augment our cash flow position through cost reduction measures, sales of assets, additional financings or a combination of these actions. One or more of these actions would likely substantially diminish the value of its common stock.

Because of the unique difficulties and uncertainties inherent in the mineral exploration business, we face a high risk of business failure.

Potential investors should be aware of the difficulties normally encountered by new mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration of mineral properties. These potential problems include, but are not limited to, unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The search for valuable minerals also involves numerous hazards. As a result, we may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which we cannot insure or against which we may elect not to insure. At the present time, we have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on our financial position. In addition, there is no assurance that the expenditures to be made by us in the exploration of the mineral claims will result in the discovery of mineral deposits. Problems such as unusual or unexpected formations and other conditions are involved in mineral exploration and often result in unsuccessful exploration efforts.

If we are unable to successfully compete within the mineral exploration business, we will not be able to achieve profitable operations.

The mineral exploration business is highly competitive. This industry has a multitude of competitors and no small number of competitors dominates this industry with respect to any of the large volume metallic minerals. Our exploration activities will be focused on attempting to locate commercially viable mineral deposits on our claims. Many of our competitors have greater financial resources than us. As a result, we may experience difficulty competing with other businesses when conducting mineral exploration activities on our claims. If we are unable to retain qualified personnel to assist us in conducting mineral exploration activities on our claims; if a commercially viable deposit is found to exist, we may be unable to enter into production and achieve profitable operations.

There is substantial uncertainty about the ability of Source Gold Corp. to continue its operations as a going concern.

In their audit report, our auditors have expressed an opinion that substantial doubt exists as to whether we can continue as an ongoing business. Because our officers may be unwilling or unable to loan or advance any additional capital to Source Gold Corp., we believe that if we do not raise additional capital within 12 months, we may be required to suspend or cease the implementation of our business plans. As such we may have to cease operations and you could lose your entire investment.

Because the Company has been issued an opinion by its auditors that substantial doubt exists as to whether it can continue as a going concern it may be more difficult to attract investors.

Risks Related To Our Financial Condition

Because we anticipate our operating expenses will increase prior to our earning revenues, we may never achieve profitability.

Prior to completion of our exploration stage, we anticipate that we will incur increased operating expenses without realizing any revenues. We expect to incur continuing and significant losses into the foreseeable future. As a result of continuing losses, we may exhaust all of our resources and be unable to complete the exploration of our properties. Our accumulated deficit will continue to increase as we continue to incur losses. We may not be able to earn profits or continue operations if we are unable to generate significant revenues from the exploration of our mineral claims. There is no history upon which to base any assumption as to the likelihood that we will be successful, and we may not be able to generate any operating revenues or ever achieve profitable operations. If we are unsuccessful in addressing these risks, our business will most likely fail.

If we do not obtain adequate financing, our business will fail, resulting in the complete loss of your investment.

If we are not successful in earning revenues once we have started our planned sales activities, we may require additional financing to sustain business operations. Currently, we do not have any arrangements for financing and we may be unable to obtain financing when required. Obtaining additional financing would be subject to a number of factors, including the Company's ability to attract customers. The Company may be unable to access to capital markets in the future or that financing, adequate to satisfy the cash requirements of implementing our business strategies, will be available on acceptable terms. The inability of the Company to gain access to capital markets or obtain acceptable financing could have a material adverse effect upon the results of its operations and upon its financial conditions.

The company's management could issue additional shares, since the company has 7,980,000,000 authorized common shares, diluting the current shareholders' equity.

The Company has 7,980,000,000 common shares, of which 3,046,433,130 are currently issued and outstanding. The Company's management could, without the consent of the existing shareholders, issue substantially more shares, causing a large dilution in the equity position of the Company's current shareholders. Additionally, large share issuances would generally have a negative impact on the Company's share price. It is possible that, due to additional share issuance, you could lose a substantial amount, or all, of your investment.

Our board of directors has the authority, without stockholder approval, to issue preferred stock with terms that may not be beneficial to common stockholders and may grant voting powers, rights and preference that differ from or may be superior to those of the registered shares.

Our articles of incorporation allow us to issue 20,000,000 shares of preferred stock without any vote or further action by our stockholders. Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our board of directors also has the authority to issue preferred stock without further stockholder approval, including large blocks of preferred stock. Furthermore, Edward Aruda serves as our sole director and, therefore, has the ability to issue preferred stock without shareholder approval, especially in the event the offering is not subscribed sufficiently to constitute a majority of the issue and outstanding shares of common stock. As a result, our sole director could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock.

Future sales of our common stock could put downward selling pressure on our common stock, and adversely affect the per share price. There is a risk that this downward pressure may make it impossible for an investor to sell share of common stock at any reasonable price, if at all.

Future sales of substantial amounts of our common stock in the public market or the perception that such sales could occur, could put downward selling pressure on our common stock and adversely affect its market price.

We do not anticipate paying dividends in the foreseeable future.

We do not anticipate paying dividends on our common stock in the foreseeable future, but plan rather to retain earnings, if any, for the operation, growth and expansion of our business. Because the Company does not anticipate paying cash dividends in the foreseeable future which may lower expected returns for investors, and as such our stockholders will not be able to receive a return on their investment unless they sell their shares of common stock.

Because we expect to incur losses in the future, failure to generate revenues will cause us to go out of business and your entire investment could be lost.

Based upon current plans, we expect to incur operating losses in future periods because we will be incurring expenses and not generating revenues. We cannot guarantee that we will be successful in generating revenues in the future. Failure to generate revenues will cause us to go out of business.

Our operating results may prove unpredictable, which could result in the complete loss of your investment.

Our operating results are likely to fluctuate significantly in the future due to a variety of factors, many of which we have no control. Factors that may cause our operating results to fluctuate significantly include: our ability to generate enough working capital from future equity sales; the level of commercial acceptance by the public of our services; fluctuations in the demand for secure online storage; the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations, infrastructure and general economic conditions.

If realized, any of these factors could have a material adverse effect on our business, financial condition and operating results, which could result in the complete loss of your investment.

As the company's sole officer and director has other outside business activities, he may not be in a position to devote a majority of his time to the company, which may result in periodic interruptions or business failure.

Mr. Aruda our sole officer and director, has other business interests and currently devote approximately 20 hours per week to our operations. Mr. Arudamay have to arrange leave from his current occupation to travel around the North America and may not be able to do so at the exact period needed and this could cause an interruption to the company's planned services, which may result in periodic interruptions or suspensions of our business plan. If the demands of the Company's business requires more business time of our sole officer and director, is prepared to

adjust his timetable to devote more time to the Company's business. However, he may not be able to devote sufficient time to the management of the Company's business, which may result in periodic interruptions in implementing the Company's plans in a timely manner. Such delays could have a significant negative effect on the success of the business.

Key management personnel may leave the company, which could adversely affect the ability of the company to continue operations.

The Company is entirely dependent on the efforts of its sole officer and director. The Company does not have an employment agreement in place with its sole officer and directors. Their departure or the loss of any other key personnel in the future could have a material adverse effect on the business. The Company believes that all commercially reasonable efforts have been made to minimize the risks attendant with the departure by key personnel from service. However, there is no guarantee that replacement personnel, if any, will help the Company to operate profitably. The Company does not maintain key person life insurance on its sole officer and directors.

In the case if the company is dissolved, it is unlikely that there will be sufficient assets remaining to distribute to the shareholders.

In the event of the dissolution of the Company, the proceeds realized from the liquidation of its assets, if any, will be distributed to the shareholders only after the claims of the Company's creditors are satisfied.

Because we are small and have limited capital, our marketing campaign may not be sufficient to attract enough clients and we may not be able to assume significant additional costs to operate profitably. If we do not operate profitably, we may have to suspend or cease operations.

Because we are a small company, with limited capital, we must limit our marketing activities and may not be able to make our services known to potential customers. Because we will be limiting our marketing activities, we may not be able to attract enough customers to operate profitably. In addition, we may not be able to assume significant additional costs to operate. If we are unable to make any necessary change in the Company structure, do the proper negotiations with the developers or are faced with circumstances that are beyond our ability to afford, we may have to suspend operations or cease them entirely which could result in a total loss of your investment.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located at 200 S. Virginia Street Reno, NV 89501. The lease term is month to month. As of the date of this filing, the Company has not sought to move our office. Additional space may be required as the Company expands its operations. Management does not foresee any significant difficulties in obtaining any required additional space. The Company currently does not own any real property. The Company does not currently own any real property.

ITEM 3. LEGAL PROCEEDINGS

On October 26, 2009, we entered into an agreement with Thunder Bay Minerals, Inc. (the "Agreement" and "Thunder Bay", respectively) under which we were granted an option to acquire an undivided 50% interest in 19 mineral claims known as the KRK West Claim, located north of Thunder Bay, Ontario, Canada. During the year we learned that Thunder Bay had allowed the KRK West Claims to lapse, and therefore the option agreement was null and void.

As discussed above, we were able to re-purchase 13 of the 19 KRK West Claims from persons who re-staked the claims for an aggregate amount of \$27,578. We also incurred exploration expenditures of \$555 in relation to these claims. Subsequent to acquisition of the claims they were transferred to our wholly owned subsidiary, Northern Bonanza, Inc.

Thunder Bay maintained that control of the KRK West Claims remains with it and that we had no right to further explore the property. We disagreed with this assertion and accordingly ownership to the claims was in dispute.

On January 6, 2011, the Ministry of Northern Development, Mines and Forestry, Canada, was to adjudicate upon the ownership of the claims. The hearing did not occur as the other party filed for a change of venue and mediation regarding the matter that was scheduled. Two days prior to the scheduled mediation, William J. Wheeler (“Wheeler”), the principal of Thunder Bay, cancelled the mediation.

As a result of the cancellation, we filed suit. Accordingly, we filed an action against Thunder Bay and Wheeler in Ontario Superior Court of Justice. In the suit we detailed the breach of the Agreement by Thunder Bay and Wheeler and request:

- An order transferring an application regarding mining claims to Ontario Superior Court to be consolidated with this action;
- A declaration regarding our ownership and Thunder Bay and Wheeler’s ownership with respect to certain mining claims; and
- \$1,200,000 in damages from Thunder Bay and Wheeler.

The Company entered into a formal settlement agreement with the vendor to settle an amount due of Cdn\$34,000 by monthly installments of Cdn\$5,000 commencing May 15, 2011. As of October 31, 2011, Cdn\$30,000 of the total amount due has been paid.

Other than the foregoing, we know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which our director, officer or any affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR THE COMPANY’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our common stock is currently quoted on the OTC Markets. Our common stock has been quoted on the OTC Markets since January 2, 2009 under the symbol “IBXR”. On October 14, 2009, our symbol was changed to “SRGL” to reflect our Company’s name change. Because we are quoted on the OTC Markets, our securities may be less liquid, receive less coverage by security analysts and news media, and generate lower prices than might otherwise be obtained if they were listed on a national securities exchange.

The following table sets forth the high and low bid prices for our Common Stock per quarter as reported by the OTC Markets for the past two fiscal years, our fiscal year end is July 31. These prices represent quotations between dealers without adjustment for retail mark-up, markdown or commission and may not represent actual transactions. There has been very limited trading activity in our common stock, and the prices quoted may not be a reliable indication of the value of our common stock.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year	<u>Aug 1 – Oct 31</u>	<u>Nov 1 – Jan 31</u>	<u>Feb 1 – April 30</u>	<u>May 1 – July 31</u>
2014 – High	\$0.0018	0.0013	0.0020	0.0013
2014 – Low	\$0.001	0.0005	0.0006	0.0001
2013 – High	\$0.065	0.0247	0.0080	0.0023
2013 – Low	\$0.014	0.0080	0.0025	0.0015

Record Holders

As of October 16, 2014, there were 3,046,433,130 shares of the registrant’s \$0.001 par value common stock issued and outstanding and were owned by approximately 54 holders of record, based on information provided by our transfer agent.

Penny Stock Regulation

Shares of our common stock will probably be subject to rules adopted the SEC that regulate broker-dealer practices in connection with transactions in “penny stocks”. Penny stocks are generally equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in those securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, deliver a standardized risk disclosure document prepared by the SEC, which contains the following:

- a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- a description of the broker’s or dealer’s duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of securities’ laws;
- a brief, clear, narrative description of a dealer market, including "bid" and "ask" prices for penny stocks and the significance of the spread between the "bid" and "ask" price;
- a toll-free telephone number for inquiries on disciplinary actions;
- definitions of significant terms in the disclosure document or in the conduct of trading in penny stocks; and
- such other information and is in such form (including language, type, size and format), as the SEC shall require by rule or regulation.

Prior to effecting any transaction in penny stock, the broker-dealer also must provide the customer the following:

- the bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Holders of shares of our common stock may have difficulty selling those shares because our common stock will probably be subject to the penny stock rules.

Description of Registrant’s Securities

We have authorized capital stock consisting of 7,980,000,000 shares of common stock, \$0.001 par value per share (“Common Stock”) and 20,000,000 shares of preferred stock, \$0.001 par value per share (“Preferred Stock”).

Recent Sales of Unregistered Securities

During the period of August 1, 2013 through October 31, 2013, the holder of convertible notes converted a total of \$15,600 of principal and interest into 25,545,733 shares of our common stock at an average price of \$0.00061.

During the period of November 1, 2013 through January 31, 2014, the holder of convertible notes converted a total of \$11,540 of principal and interest into 33,942,505 shares of our common stock at an average price of \$0.00034.

During the period of February 1, 2014 through April 30, 2014, the holder of convertible notes converted a total of \$37,406 of principal and interest into 111,069,021 shares of our common stock at an average price of \$0.00033.

During the period of May 1, 2014 through July 31, 2014, the holder of convertible notes converted a total of \$164,179 of principal and interest into 1,160,256,758 shares of our common stock at an average price of \$0.00031.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The holders represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

Other than as previously disclosed, none.

Recent Issuances of Unregistered Securities Subsequent to our Fiscal Year end of July 31, 2014.

From August 1, 2014 to August 28, 2014, a holder of a convertible note converted a total of \$79,011 of principal and interest into 1,612,604,714 shares of our common stock at an average price of \$0.00005.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The holders represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

Preferred Stock

We are currently authorized to issue up to 20,000,000 shares of our preferred stock. As of this annual report no shares have been issued.

Re-Purchase of Equity Securities

None.

Dividends

We have not paid any cash dividends on our common stock since inception and presently anticipate that all earnings, if any, will be retained for development of our business and that no dividends on our common stock will be declared in the foreseeable future. Any future dividends will be subject to the discretion of our Board of Directors and will depend upon, among other things, future earnings, operating and financial condition, capital requirements, general business conditions and other pertinent facts. Therefore, there can be no assurance that any dividends on our common stock will be paid in the future.

Securities Authorized for Issuance Under Equity Compensation Plans

None.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections. We may use words such as "anticipate," "expect," "intend," "plan," "believe," "foresee," "estimate" and variations of these words and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted. You should read this report completely and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements included in this report are made as of the date of this report and should be evaluated with consideration of any changes occurring after the date of this Report. We will not update forward-looking statements even though our situation may change in the future and we assume no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Working Capital

	July 31, 2014	July 31, 2013
	\$	\$
Current Assets	79,882	829
Current Liabilities	1,094,516	339,765
Working Capital (Deficit)	(1,015,270)	(338,936)

Cash Flows

	July 31, 2014	For the Period from June 4, 2008, (Date of Inception) to July 31, 2014
	\$	\$
Cash Flows from (used in) Operating Activities	(615,067)	(1,714,819)
Cash Flows from (used in) Investing Activities	-	(206,867)
Cash Flows from (used in) Financing Activities	612,689	1,923,005
Net Increase (decrease) in Cash During Period	622	636

Results for the Year Ended July 31, 2014 Compared to the Year Ended July 31, 2013

Revenues:

The Company's revenues were \$0 for the year ended July 31, 2014 compared to \$0 in 2013. We do not anticipate earning additional revenues until such time that we enter into commercial production of our claims. We are presently in the exploration stage of our business and we can provide no assurance that we will discover commercially exploitable levels of mineral resources, or if such resources are discovered, that we will enter into commercial production.

Cost of Revenues:

The Company's cost of revenue was \$0 for the year ended July 31, 2014 compared to \$0 in 2013.

General and Administrative Expenses:

General and administrative expenses for the year ended July 31, 2014 and July 31, 2013 were \$518,380 and \$163,405, respectively. General and administrative expenses consisted primarily of office expenses, management fees, legal fees and accounting and audit fees. The increase was primarily attributable to an increase in management and professional fees for normal operations.

Other Income (Expense):

Other income (expense) consisted of gain on derivative valuation and interest expense. The gain on derivative valuation is directly attributable to the change in fair value of the derivative liability from date of issuance during 2013 through July 31, 2014. Interest expense is primarily attributable the initial interest expense associated with the valuation of derivative instruments at issuance and the accretion of the convertible debentures over their respective terms. Interest associated with the derivative instruments amounted to approximately \$596,826 for the year ended July 31, 2014 and \$289,366 for the year ended July 31, 2013. There was a loss of \$(265,285) on derivative valuation for the year ended July 31, 2014 and \$(19,208) for the year ended July 31, 2013.

Net Loss:

Net loss for the year ended July 31, 2014 was \$(1,380,491) compared with a net loss of \$(472,127) for the year ended July 31, 2013. The increased net loss is due to an increase in operating expenses and an increase in the accretion of convertible note discount and interest on convertible notes.

Results for the Period from June 4, 2008, (Date of Inception) through July 31, 2014

Revenues:

The Company's revenues were \$0 for the year ended July 31, 2014 compare to \$0 for the period from Date of Inception to July 31, 2014.

Cost of Revenues

The Company's cost of revenue was \$0 for the year ended July 31, 2014 compared to \$0 for the period from Date of Inception to July 31, 2014.

General and Administrative Expenses.

General and administrative expenses consisted primarily of consulting fees, management fees and preparing reports and SEC filings relating to being a public company. For the year ended July 31, 2014, general and administrative expenses was \$518,380 compared to \$14,812,389 for the period from Date of Inception to July 31, 2014.

Other Income (Expense):

Other income (expenses) for the period from June 4, 2008 (Date of Inception) through July 31, 2014, were \$(1,250,445).

Net Loss.

Net loss for the period June 4, 2008, (Date of Inception) through July 31, 2014 was \$(16,062,834). The net loss for this period was primarily related to general and administrative expenses exceeding the amount of revenues for the period indicated.

Impact of Inflation

We believe that the rate of inflation has had a negligible effect on our operations.

Liquidity and Capital Resources

The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. Since its inception, the Company has been funded by related parties through capital investment and borrowing funds.

As of July 31, 2014, total current assets were \$79,882, which consisted primarily of cash and loan receivable.

As of July 31, 2014, total current liabilities were \$1,094,516, which consisted primarily of accounts payable and accrued expenses, a loan from a related party and convertible debentures. We had negative net working capital of \$(1,015,270) as of July 31, 2014.

During the period from June 4, 2008, (Date of Inception) through July 31, 2014, operating activities used cash of \$(1,714,819). The cash used by operating activities related to general and administrative expenses, and non-cash items related to derivative instruments. Except for cash in the amount of \$0 from sales of our products, all of the cash during this period was provided by related party transactions, capital contributions and convertible debentures.

Material Commitments

The Company's material commitments were \$0 as of July 31, 2014.

Going Concern

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive acquisitions and activities. For these reasons, our auditors stated in their report on our audited financial statements that they have substantial doubt that we will be able to continue as a going concern without further financing.

Future Financings

We will continue to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund planned acquisitions and exploration activities.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Critical Accounting Policies

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and

assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Contractual Obligations

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**SOURCE GOLD CORP. AND SUBSIDIARIES
(ANEXPLORATION STATE COMPANY)**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
AND
CONSOLIDATED FINANCIAL STATEMENTS**

July 31, 2014

Independent Registered Public Accounting Firm

John Scudato, CPA F-2

Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Source Gold Corp.

We have audited the accompanying balance sheet of Source Gold Corp. as of July 31, 2014 and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Source Gold Corp. at July 31, 2014, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Source Gold Corp. will continue as a going concern. As more fully described in Note 2, the Company had an accumulated deficit at July 31, 2014, a net loss and net cash used in operating activities for the fiscal year then ended. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. Management's plans in regards to these matters are also described in Note 2. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ John Scrudato CPA

Califon, New Jersey November 4, 2014

SOURCE GOLD CORP.
(An Exploration Stage Company)
Condensed Consolidated Balance Sheets

	As of July 31, 2014	As of July 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 636	\$ 14
Loan receivable	79,246	-
Prepaid expenses	-	815
Total current assets	79,882	829
Computer equipment	-	865
Mineral property	85,000	85,000
Other assets	-	-
TOTAL ASSETS	\$ 164,882	\$ 86,694

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,277	\$ 38,398
Notes payable, net of discount	521,208	147,900
Notes payable interest	60,891	7,973
Notes payable, derivative liability	479,320	133,962
Due to related party	10,820	10,820
Loan payable	-	711
Total Current liabilities	1,094,516	339,765
Shareholder's equity:		
Preferred stock, \$0.001 par value; 20,000,000 shares authorized, none outstanding	-	-
Common stock, \$0.001 par value; 900,000,000 shares authorized; 1,433,828,416 (July 31, 2013 - 103,014,399) shares issued and outstanding	1,433,828	103,014

Additional paid in capital	13,700,055	14,326,942
Accumulated other comprehensive loss	(683)	(683)
Retained earnings (accumulated deficit)	(16,062,834)	(14,682,344)
Total shareholders' equity	(929,634)	(253,071)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 164,882	\$ 86,694

The accompanying notes are an integral part of these financial statements

SOURCE GOLD CORP.

(An Exploration Stage Company)

Condensed Consolidated Statements of Operations and Comprehensive Loss

	Years ended		From
	2014	2013	Inception (June 04, 2008 through July 31, 2014)
Sales	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-
Gross profit	-	-	-
Operating expenses			
Accounting and audit fees	12,675	35,504	228,017
Depreciation	865	984	1,973
G&A expenses	215,915	47,800	373,629
Management fees	172,500	50,651	11,384,720
Mineral property exploration costs	-	3,317	159,263
Mineral property option impairment	-	-	2,203,611
Professional fees	116,425	25,149	380,829
Tax penalties and interest	-	-	80,347
Other operating expenses	-	-	-
Net loss from operations	(518,380)	(163,405)	(14,812,389)
Other income/ (expense)			
Foreign exchange (gain) loss	-	7	(9,170)
FV change of derivative liability	(265,285)	(19,208)	(284,493)
Interest on convertible notes	(596,826)	(156,905)	(785,896)
Convertible debt discount	-	(132,461)	(170,886)
Net loss before income taxes	(1,380,491)	(471,972)	(16,062,834)
Income tax expense	-	-	-
Net Loss	(1,380,491)	(471,972)	(16,062,834)
Other comprehensive gain (loss)			-
Foreign currency translation adjustments	-	(155)	(683)
Comprehensive Loss	(1,380,491)	(472,127)	(16,063,517)
Per share information			
Basic, weighted number of common shares outstanding	255,480,679	65,892,780	
Net profit/(loss) per common share	(0.01)	(0.01)	

The accompanying notes are an integral part of these financial statements

SOURCE GOLD CORP.

(An Exploration Stage Company)

Consolidated Statement of Stockholders' Equity

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Deficit Accumulated during the Stage	Exploration	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
Balance at inception (June 4, 2008)	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Common stock issued for cash	-	-	24,000,000	24,000	24,000				48,000

Common stock issued for cash	-	-	20,400,000	20,400	51,000	-	-	71,400
Less: commission	-	-	-	-	(7,025)	-	-	(7,025)
Net (loss) for the period	-	-	-	-	-	-	(9,089)	(9,089)
Balances July 31, 2008	-	\$ -	44,400,000\$	44,400\$	67,975 \$	-	\$ (9,089)	\$ 103,286
Net income (loss) for the year	-	-	-	-	-	-	(102,804)	(102,804)
Balances July 31, 2009	-	\$ -	44,400,000\$	44,400\$	67,975 \$	-	\$ (111,893)	\$ 482
Common stock issued for cash	-	-	400,000	400	99,600	-	-	100,000
Common stock issued for cash	-	-	220,000	220	219,780	-	-	220,000
Common stock issued for cash	-	-	33,333	33	49,967	-	-	50,000
Common stock issued for cash	-	-	105,932	106	124,894	-	-	125,000
Unrealized loss on foreign exchange	-	-	-	-	-	(2,802)	-	(2,802)
Capital contribution by former president	-	-	-	-	6,967,429	-	-	6,967,429
Net income (loss) for the year	-	-	-	-	-	-	(7,495,347)	(7,495,347)
Balances July 31, 2010	-	\$ -	45,159,265\$	45,159\$	7,529,645 \$	(2,802)	\$ (7,607,240)	\$ (35,238)
Common stock issued for mineral property	-	-	4,000,000	4,000	1,996,000	-	-	2,000,000
Common stock issued for cash	-	-	100,000	100	49,900	-	-	50,000
Common stock issued for cash	-	-	31,250	31	19,969	-	-	20,000
Common stock issued for cash	-	-	281,250	281	89,719	-	-	90,000
Common stock issued for cash	-	-	275,000	275	109,725	-	-	110,000
Unrealized loss on foreign exchange	-	-	-	-	-	(4,653)	-	(4,653)
Capital contribution by former president	-	-	-	-	3,992,571	-	-	3,992,571
Note 7	-	-	-	-	-	-	-	-
Net (loss) for the year	-	-	-	-	-	-	(6,304,842)	(6,304,842)
Balances July 31, 2011	-	\$ -	49,846,765\$	49,846\$	13,787,529 \$	(7,455)	\$ (13,912,082)	\$ (82,162)
Common stock issued for cash	-	-	160,000	160	39,840	-	-	40,000
Common stock issued for cash	-	-	250,000	250	24,750	-	-	25,000
Common stock issued for cash	-	-	125,000	125	9,875	-	-	10,000
Common stock issued for mineral property	-	-	1,000,000	1,000	79,000	-	-	80,000
Intrinsic value of the beneficial conversion of convertible debentures - Note 6	-	-	-	-	30,000	-	-	30,000
Unrealized loss on foreign exchange	-	-	-	-	-	6,927	-	6,927
Net (loss) for the year	-	-	-	-	-	-	(298,289)	(298,289)
Balances July 31, 2012	-	\$ -	51,381,765\$	51,381\$	13,970,994 \$	(528)	\$ (14,210,371)	\$ (188,524)
Conversion of promissory notes to stock August 2, 2012-October 24, 2012	-	-	9,585,054	9,585	65,501	-	-	75,086
Conversion of promissory notes to stock November 26, 2012-January 22, 2013	-	-	5,925,083	5,925	21,075	-	-	27,000
Elimination of derivative liabilities November 26, 2012-January 22, 2013	-	-	-	-	43,424	-	-	43,424
Conversion of promissory notes to stock	-	-	13,478,164	13,478	11,321	-	-	24,799

February 25- April 22, 2013 Elimination of derivative liabilities								
February 25- April 22, 2013 Conversion of promissory notes to stock	-	-	-	-	52,566	-	-	52,566
May 16-July 15, 2013 Elimination of derivative liabilities	-	-	22,644,333	22,644	-	-	-	22,644
May 16-July 15, 2013 Reclassification of derivatives to APIC	-	-	-	-	35,862	-	-	35,862
Intrinsic value of the beneficial conversion feature of the convertible notes payable	-	-	-	-	(11,029)	-	-	(11,029)
Foreign currency translation	-	-	-	-	-	(155)	-	(155)
Net (loss) for the year	-	-	-	-	-	-	(471,972)	(471,972)
Balances July 31, 2013	-	\$ -	103,014,399\$	103,014\$	14,326,942	\$ (683)	\$ (14,682,344)	\$ (253,071)
Conversion of promissory notes to stock August 2, 2013- October 21, 2013	-	-	25,545,733	25,546	(9,946)	-	-	15,600
August 2, 2013- October 21, 2013 Conversion of promissory notes to stock December 5, 2013-January 17, 2014	-	-	-	-	31,913	-	-	31,913
December 5, 2013-January 17, 2014 Elimination of derivative liabilities	-	-	33,942,505	33,942	(22,402)	-	-	11,540
December 5, 2013-January 17, 2014 Conversion of promissory notes to stock February 4, 2014 - April 28, 2014	-	-	-	-	25,368	-	-	25,368
February 4, 2014-April 28, 2014 Conversion of promissory notes to stock May 6, 2014- July 31, 2014	-	-	111,069,021	111,069	(73,663)	-	-	37,406
May 6, 2014- July 31, 2014 Elimination of derivative liabilities	-	-	-	-	84,362	-	-	84,362
May 6, 2014- July 31, 2014 Intrinsic value of the beneficial conversion feature of the convertible notes payable	-	-	1,160,256,758	1,160,257	(1,029,838)	-	-	130,419
Net (loss) for the year	-	-	-	-	338,369	-	-	338,369
Balances July 31, 2014	-	\$ -	1,433,828,416\$	1,433,828\$	13,700,055	\$ (683)	\$ (16,062,834)	\$ (929,634)

The accompanying notes are an integral part of these financial statements

	Years ended		From
	July 31,		Inception
	2014	2013	(June 4, 2008 through July 31, 2014)
Operating activities:			
Net loss	\$(1,380,491)	\$(471,972)	\$(16,062,834)
Adjustment to reconcile net loss to net cash in operating activities			
Convertible debt interest expense	534,832	283,558	865,891
Interest expense - beneficial conversion feature of convertible notes	-	-	30,000
Loss from change in fair value of derivative liability	265,285	19,208	284,493
Depreciation	865	984	1,973
Mineral property option costs	-	-	1,842
Impairment loss on mineral property option	-	-	2,199,894
Management fees from stock options	-	-	10,960,000
Changes in assets and liabilities:			
(Increase) decrease in loans receivable	(79,246)	-	(79,246)
(Increase) decrease in prepaid expenses	815	(675)	-
(Decrease) increase in accrued interest	-	-	-
(Decrease) increase in accounts payable and accrued liabilities	(16,121)	(93,716)	22,277
(Decrease) increase in notes payable, interest	61,994	5,808	60,891
Net cash used in operating activities	(612,067)	(256,805)	(1,714,819)
Investing activities:			
Purchase of computer equipment	-	-	(1,973)
Mineral property option acquisition	-	-	(204,894)
Net cash flows used in investing activities	-	-	(206,867)
Financing activities:			
Proceeds from notes payable	613,400	233,252	959,810
Due to related party	-	7,391	10,820
Proceeds from loan payable	(711)	711	-
Proceeds from issuance of common stock	-	-	952,375
Net cash provided by financing activities	612,689	241,354	1,923,005
Effect of foreign exchange on cash	-	(155)	(683)
Change in cash and cash equivalents	622	(15,606)	636
Cash and cash equivalents at the beginning of the period	14	15,620	-
Cash and cash equivalents at the end of the period	636	14	636
Supplementary disclosure for non-cash investing and financing activities			
Shares issued for mineral property	\$ -	\$ -	\$ 2,080,000

The accompanying notes are an integral part of these financial statements

Source Gold Corp.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for financial information and with the instructions to Form 10-Q of Regulation S-K. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements for the year ended July 31, 2013 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. These condensed consolidated financial statements should be read in conjunction with those financial statements included in the Form 10-K. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal and recurring adjustments have been made.

The condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States and are presented in United States dollars.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary companies IRC Exploration Ltd., ("IRC") a company incorporated in Alberta, Canada on August 1, 2008; Northern Bonanza Inc., ("NBI") a company incorporated in Ontario, Canada on June 30, 2010; Source Bonanza LLC, ("SB") a Limited Liability Company incorporated in Nevada, USA on June 18, 2010; and Vulture Gold LLC ("Vulture"), a Nevada Limited Liability Company which was acquired on August 7, 2010.

All significant inter-company transactions and balances have been eliminated.

Note 2 Nature of Operations and Ability to Continue as a Going Concern

The Company was incorporated in the state of Nevada, United States of America on June 4, 2008. The Company is an exploration stage company and was formed for the purpose of acquiring exploration and development stage mineral properties. The Company's year-end is July 31. On August 31, 2009, the Company changed its name to Source Gold Corp. in order to reflect the current focus of the Corporation.

On January 24, 2013, the Company increased the number of authorized common shares of the Company from 180,000,000 to 900,000,000 shares.

During the year ended July 31, 2009, the Company acquired via its subsidiary company IRC Exploration Ltd. ("IRC"), a mineral claim located in British Columbia, Canada. During the year ended July 31, 2010, the mineral property option agreement for the claim in British Columbia was abandoned.

During the year ended July 31, 2010, the Company acquired two additional mineral properties located in Ontario, Canada. The Company also incorporated two new subsidiary companies, Northern Bonanza Inc. ("NBI") to hold its mineral properties located in Ontario, Canada, and Source Bonanza LLC ("SB") to hold its mineral properties located in the USA. The Company also transferred its Ontario mineral properties to NBI during the year ended July 31, 2010.

On August 7, 2010, the Company acquired a 100% interest in Vulture Gold LLC, ("Vulture") a Nevada Limited Liability Company. (Note 10c)

On March 28, 2012, the Company entered into a property option agreement to acquire a 100% undivided right in three tenures comprising 2,785 acres in northern British Columbia, Canada. (Note 10d)

The Company intends on exploring its mineral properties and has not yet determined the existence of economically recoverable reserves. The recoverability of amounts incurred on its mineral properties is dependent upon the existence of economically recoverable reserves in the property, confirmation of the Company's interest in the

underlying mineral claims, the ability of the Company to obtain the necessary financing to complete their development, and the attainment and maintenance of future profitable production or disposition thereof.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The Company has yet to achieve profitable operations, has accumulated losses of \$16,062,834 since inception, has working capital deficiency of \$1,015,270, has no source of recurring revenues, and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing from shareholders or other sources to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Management has no formal plan in place to address this concern but considers that the Company will be able to obtain additional funds by equity financing and/or related party advances, however there is no assurance of additional funding being available or on acceptable terms, if at all. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Note 3 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and are stated in US dollars.

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may vary from these estimates.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary companies IRC Exploration Ltd., ("IRC") a company incorporated in Alberta, Canada on

August 1, 2008; Northern Bonanza Inc., ("NBI") a company incorporated in Ontario, Canada on June 30, 2010; Source Bonanza LLC, ("SB") a Limited Liability Company incorporated in Nevada, USA on June 18, 2010 and Vulture Gold LLC, ("Vulture") a Nevada Limited Liability Company which was acquired on August 7, 2010.

All significant inter-company transactions and balances have been eliminated.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. The carrying value of these investments approximates fair value.

Exploration Stage Company

The Company has not commenced any significant operations and, in accordance with ASC Topic 915, the Company is considered an exploration stage company. All losses accumulated since inception have been considered as part of the Company's exploration stage activities.

Mineral Properties

The Company is primarily engaged in the acquisition, exploration, and development of mineral properties.

Mineral property acquisition costs are capitalized in accordance with FASB ASC 930-805, "Extractive Activities-Mining," when management has determined that probable future benefits consisting of a contribution to future cash inflows have been identified and adequate financial resources are available or are expected to be available as required to meet the terms of property acquisition and budgeted exploration and development expenditures. Mineral property acquisition costs are expensed as incurred if the criteria for capitalization are not met. In the event that mineral property acquisition costs are paid with Company shares, those shares are recorded at the estimated fair value at the time the shares are due in accordance with the terms of the property agreements.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves and pre-feasibility, the costs incurred to develop such property are capitalized.

Estimated future removal and site restoration costs, when determinable are provided over the life of proven reserves on a units-of-production basis.

Costs, which include production equipment removal and environmental remediation, are estimated each period by management based on current regulations, actual expenses incurred, and technology and industry standards. Any charge is included in exploration expense or the provision for depletion and depreciation during the period and the actual restoration expenditures are charged to the accumulated provision amounts as incurred.

To date the Company has not established any proven or probable reserves on its mineral properties.

Computer equipment

Computer equipment is stated at the lower of cost or fair value. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets. The cost of repairs and maintenance is charged to expense as incurred. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its office equipment or whether the remaining balance of office equipment should be evaluated for possible impairment.

Foreign Currency Translation

The Company's functional currency is the US dollar as a substantial part of the Company's operations is based in Arizona. IRC's and NBI's functional currency is the Canadian dollar. The functional currency of SB and Vulture is the US dollar as its activities are in the USA. The Company uses the United States dollar as its reporting currency for consistency with registrants of the Securities and Exchange Commission ("SEC").

Assets and liabilities denominated in a foreign currency are translated into US dollar reporting currency at the exchange rate in effect at the balance sheet date and capital accounts are translated at historical rates. Income statement accounts are translated at the average rates of exchange prevailing during the period. Transactions undertaken in currencies other than the functional currency of the entity are translated using the exchange rate in effect as of the transaction date. Any exchange gains and losses are included in other comprehensive loss.

Diluted and Basic Loss per Share

Basic loss per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share are computed similar to basic income per share except that the denominator is increased to include the number of common stock equivalents. Common stock equivalents represent the dilutive effect of the assumed exercise of any outstanding stock equivalents, using the treasury stock method, at either the beginning of the respective period presented or the date of issuance, whichever is later, and only if the common stock equivalents are considered dilutive based upon the Company's net income (loss) position at the calculation date.

There are no common stock equivalents outstanding and, thus, diluted and basic loss per share is the same.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and loss carry-forwards and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rules on deferred tax assets and liabilities is recognized in operations in the year of change. A valuation allowance is recorded when it is “more likely-than-not” that a deferred tax asset will not be realized.

Comprehensive Loss

The Company is required to report comprehensive loss, which includes net loss as well as changes in equity from non-owner sources.

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of July 31, 2014 and July 31, 2013. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash and payables because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Stock-Based Compensation

The Company records stock based compensation in accordance with the guidance in ASC Topic 718 which requires the Company to recognize expense related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

Stock based compensation for non-employees is accounted for using the Stock Based Compensation Topic of the FASB ASC 505. We use the fair value method for equity instruments granted to non-employees and will use the Black-Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

Newly Issued Accounting Pronouncements

The Company has reviewed issued accounting pronouncements and plans to adopt those that are applicable to it. The Company does not expect the adoption of any other pronouncements to have an impact on its results of operations or financial position.

Note 4 Computer equipment

	July 31, 2014	July 31, 2013
Cost		
Computer equipment	\$ 1,973	\$ 1,973
Accumulated depreciation	(1,973)	(1,108)
Net book value	<u>\$ -</u>	<u>\$ 865</u>

Note 5 Financial Instruments

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including our own credit risk.

The fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels; the level is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon significant observable inputs other than quoted prices included in Level 1, such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The carrying value of the Company's financial assets and liabilities which consist of cash, and accounts payable and accrued liabilities, in management's opinion approximate their fair value due to the short maturity of such instruments. These financial assets and liabilities are valued using level 3 inputs, except for cash which is at level 1. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, exchange or credit risks arising from these financial instruments.

Note 6 Related Party Transactions

All related party transactions have been recorded at the exchange value which was the amount of consideration established and agreed to by the related parties.

On June 30, 2010, the Company purchased from the Company president 13 mineral property claims in the Thunder Bay mining division of Ontario, Canada. As consideration for the purchase the Company issued an unsecured, non-interest bearing promissory note for \$20,000 due on November 30, 2010. During the year ended July 31, 2011 this promissory note was settled by payment of \$20,000 cash to the president.

During the year ended July 31, 2010, the former president of the Company granted an option to the current president of the Company to acquire up to 20,000,000 common shares of the Company as detailed in Note 7, common stock.

On November 1, 2009, the Company entered into a Corporate Management Services Agreement with the President of the Company for management services. Pursuant to the agreement the President would receive a signing bonus of \$7,500 (paid November 1, 2009) and \$5,000 per month beginning December 1, 2009 for services rendered plus reimbursement of the Company's expenses. The agreement may be terminated by either party upon 30 days written notice.

On June 21, 2011, the Company amended the agreement by issuing a resolution to reflect a payment of \$6,000 per month for services rendered.

On October 31, 2012, the Former President of the Company acquired 10,000,000 common shares of the Company in a private transaction. As of October 31, 2012 the President holds 16.4% interest in the common stock of the Company.

During the year ended July 31, 2014, the Company recorded management fees of \$0 (year ended July 31, 2013 - \$42,000) owed to the Company's former president.

On May 15, 2013 the Company entered into an employment agreement with Dhugald Pinchin providing a signing bonus equivalent to \$50,000 USD or stock and \$7,500 per month salary.

On March 25, 2014, Dhugald Pinchin terminated his employment with the Company.

During the year period ended July 31, 2014, the Company recorded management fees of \$67,500 (year ended July 31, 2013 - \$72,500) owed to Dhugald Pinchin.

As of July 31, 2014, due to related party includes \$10,820 (July 31, 2013 - \$10,820), owing to Grid Petroleum Corp.

Note 7 Convertible Notes Payable

	July 31, 2014	July 31, 2013
Promissory Note #2	30,000	30,000
Promissory Note #4	-	24,900
Promissory Note #5	12,000	12,000
Promissory Note #6	11,774	11,774
Promissory Note #7	-	27,500
Promissory Note #8	-	44,978
Promissory Note #9	-	11,000
Promissory Note #10	-	11,000
Promissory Note #11	57,500	57,500
Promissory Note #12	7,500	7,500
Promissory Note #13	7,500	7,500
Promissory Note #14	11,000	-
Promissory Note #15	7,500	-
Promissory Note #16	11,000	-
Promissory Note #17	7,500	-
Promissory Note #18	11,000	-
Promissory Note #19	7,500	-
Promissory Note #20	1,000	-
Promissory Note #21	11,000	-
Promissory Note #22	7,500	-
Promissory Note #23	16,000	-
Promissory Note #24	2,455	-
Promissory Note #25	7,500	-
Promissory Note #26	7,000	-
Promissory Note #27	7,500	-
Promissory Note #28	16,000	-
Promissory Note #29	7,500	-
Promissory Note #30	16,000	-
Promissory Note #31	26,500	-
Promissory Note #32	-	-
Promissory Note #33	-	-
Promissory Note #34	7,500	-
Promissory Note #35	16,000	-
Promissory Note #36	7,500	-
Promissory Note #37	16,500	-

Promissory Note #38	43,089	-
Promissory Note #39	25,000	-
Promissory Note #40	48,000	-
Promissory Note #41	-	-
Promissory Note #42	25,000	-
Promissory Note #43	22,085	-
Promissory Note #44	25,000	-
Promissory Note #45	33,000	-
Promissory Note #46	63,000	-
	<u>\$ 639,404</u>	<u>\$ 245,652</u>
Debt discount	(114,975)	(8,600)
Debt discount - BCF	<u>(3,221)</u>	<u>(89,152)</u>
Notes payable, net of discount	521,208	147,900
Accrued interest	60,891	7,973
	<u>\$ 582,099</u>	<u>\$ 155,873</u>

Promissory Note #2

On March 19, 2012, the Company received \$30,000 cash from the issuance of a convertible promissory note in the amount of \$30,000. The promissory note is unsecured, interest free and repayable upon demand.

The note may be converted at the option of the holder into Common stock of the Company. The fixed conversion price is \$0.01 per share. Accordingly the note may be converted into 3,000,000 common shares of the Company.

The Company determined that this Promissory note should be accounted for in accordance with FASB ASC 470-20 which addresses "Accounting for Convertible Securities with Beneficial Conversion Features". The beneficial conversion feature is calculated at its intrinsic value (that is, the difference between the conversion price \$0.01 and the fair value of the common stock into which the debt is convertible at the commitment date (per share being \$0.08), multiplied by the number of shares into which the debt is convertible. The valuation of the beneficial conversion feature recorded cannot be greater than the face value of the note issued.

Promissory Note #4

On October 5, 2012, the Company received funding pursuant to a convertible promissory note in the amount of \$42,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on July 10, 2013. During the year ended July 31, 2014 the Company accrued \$0 (year ended July 31, 2013 - \$2,623) in interest expense.

After 180 days from issuance, the note may be converted at the option of the holder into Common stock of the Company. The conversion price is 51% of the market price, where market price is defined as “the average of the lowest three of the last ten closing trading prices on the OTCBB immediately prior to conversion date”.

Upon the holder’s option to convert becoming active the Company recorded a debt discount and derivative liability of \$79,440 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value.

Any change in fair value is credited or charged to the statement of operations in the period.

On November 14, 2013, the Company was charged a late filing penalty and \$4,650 was credited to the principal balance with a corresponding debit to the statement of operations.

During the year ended July 31, 2014, the Company recorded a loss of \$21,227 (July 31, 2013 - \$968) due to the change in value of the derivative liability during the period, and debt discount of \$0 (July 31, 2013 - \$42,500) was accreted to the statement of operations.

During the year ended July 31, 2014, the Company issued 74,458,397 common shares upon the conversion of \$29,550 of the principal balance and \$1,700 of interest into common stock, and \$67,031 of the derivative liability was re-classified as additional paid in capital upon conversion.

As of July 31, 2014, principal balance of \$0 (July 31, 2013 - \$24,900) accrued interest of \$0 (July 31, 2013 - \$2,623) and a derivative liability of \$0 (July 31, 2013 - \$45,804) was recorded.

Promissory Note #5

On October 30, 2012, the Company received funding pursuant to a convertible promissory note in the amount of \$12,000. The promissory note is unsecured; bears interest at 8% per annum, and matured on October 30, 2012. Any principal amount not paid by the maturity date bears interest at 22% per annum. During the year ended July 31, 2014, the Company accrued \$3,901 (July 31, 2013 - \$721) in interest expense.

After 180 days from issuance, the note may be converted at the option of the holder into Common stock of the Company. The conversion price is 51% of the market price, where market price is defined as “the average of the lowest three of the last ten closing trading prices on the OTCBB immediately prior to conversion date”.

Upon the holder’s option to convert becoming active the Company recorded a debt discount and derivative liability of \$13,844 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value. Any change in fair value is credited or charged to the statement of operations in the period.

During the year ended July 31, 2014, the Company recorded a loss of \$20,747 (July 31, 2013 - \$5,121) due to the change in value of the derivative liability during the period, and debt discount of \$0 (July 31, 2013 - \$12,000) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$12,000 (July 31, 2013 - \$12,000) accrued interest of \$4,622 (July 31, 2013 - \$721) and a derivative liability of \$39,721 (July 31, 2013 - \$18,965) was recorded.

Promissory Note #6

On December 18, 2012, the Company converted a loan payable of \$11,774 to a convertible promissory note. The promissory note is unsecured, bears interest at 8% per annum, and matures on June 18, 2013. Any principal amount not paid by the maturity date bears interest at 22% per annum. During the year ended July 31, 2014, the Company accrued \$2,590 (July 31, 2013 - \$581) in interest expense.

After 180 days from issuance the note may be converted at the option of the holder into Common stock of the Company. The conversion price is 51% of the market price, where market price is defined as “the average of the lowest three of the last ten closing trading prices on the OTCBB immediately prior to conversion date”.

Upon the holder’s option to convert becoming active the Company recorded a debt discount and derivative liability of \$19,145 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value. Any change in fair value is credited or charged to the statement of operations in the period.

During the year ended July 31, 2014, the Company recorded a loss of \$20,357 (July 31, 2013 – gain of \$538) due to the change in value of the derivative liability during the period, and debt discount of \$0 (July 31, 2013 - \$11,774) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$11,774 (July 31, 2013 - \$11,774) accrued interest of \$3,171 (July 31, 2013 - \$581) and a derivative liability of \$38,964 (July 31, 2013 - \$18,607) was recorded.

Promissory Note #7

On January 23, 2013, the Company received funding pursuant to a convertible promissory note in the amount of \$27,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on October 25, 2013. Any principal amount not paid by the maturity date bears interest at 22% per annum. During the year ended July 31, 2014, the Company accrued \$2,031 (July 31, 2013 - \$1,139) in interest expense.

After 180 days from issuance the note may be converted at the option of the holder into Common stock of the Company. The conversion price is 51% of the market price, where market price is defined as “the average of the lowest three of the last ten closing trading prices on the OTCBB immediately prior to conversion date”.

Upon the holder’s option to convert becoming active the Company recorded a debt discount and derivative liability of \$48,150 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value. Any change in fair value is credited or charged to the statement of operations in the period.

During the year ended July 31, 2014, the Company recorded a loss of \$26,120 (July 31, 2013 - \$2,436) due to the change in value of the derivative liability during the period, and debt discount of \$8,600 (July 31, 2013 - \$18,900) was accreted to the statement of operations.

On November 14, 2013, the Company was charged a late filing penalty and \$13,750 was credited to the principal balance with a corresponding debit to the statement of operations.

During the year ended July 31, 2014, the Company issued 100,332,933 common shares upon the conversion of \$41,250 in principal and \$1,100 in interest, and \$76,706 of the derivative liability was re-classified as additional paid in capital upon conversion.

As of July 31, 2014, principal balance of \$0 (July 31, 2013 - \$27,500) accrued interest of \$2,070 (July 31, 2013 - \$1,139) and a derivative liability of \$0 (July 31, 2013 - \$50,586) was recorded.

Promissory Note #8

On May 1, 2013 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$44,978. The promissory note is unsecured, bears interest at 8% per annum, and matures on November 1, 2013. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled

as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$4,594 (July 31, 2013 - \$897) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

On May 1, 2013 interest expense relating to the beneficial conversion feature of this convertible note of \$44,978 was recorded in the financial statements with a corresponding increase to additional paid in capital. During the year ended July 31, 2014, debt discount of \$22,733 (year ended July 31, 2013 - \$22,245) was accreted to the statement of operations.

On March 17, 2014, a replacement note was issued and the principal balance of \$44,978 was transferred LG Capital Funding, LLC.

As of July 31, 2014, principal balance of \$0 (July 31, 2013 - \$44,978), accrued interest of \$5,491 (July 31, 2013 - \$897) and debt discount of \$0 (July 31, 2013 - \$22,733) was recorded.

Promissory Note #9

On June 1, 2013 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$11,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on December 1, 2013. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$1,059 (July 31, 2013 - \$145) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

On June 1, 2013 interest expense relating to the beneficial conversion feature of this convertible note of \$11,000 was recorded in the financial statements with a corresponding increase to additional paid in capital. During the year ended July 31, 2014, debt discount of \$7,393 (year ended July 31, 2013 - \$3,607) was accreted to the statement of operations.

On March 26, 2014, a replacement note was issued and the principal balance of \$11,000 was transferred Gel Properties, LLC.

As of July 31, 2014, principal balance of \$0 (July 31, 2013 - \$11,000), accrued interest of \$1,204 (July 31, 2013 - \$145) and debt discount of \$0 (July 31, 2013 - \$7,393) was recorded.

Promissory Note #10

On July 1, 2013 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$11,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on January 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$928 (July 31, 2013 - \$72) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

On July 1, 2013 interest expense relating to the beneficial conversion feature of this convertible note of \$11,000 was recorded in the financial statements with a corresponding increase to additional paid in capital. During the year ended July 31, 2014, debt discount of \$9,207 (year ended July 31, 2013 - \$1,793) was accreted to the statement of operations.

On March 26, 2014, a replacement note was issued and the principal balance of \$11,000 was transferred Gel Properties, LLC.

As of July 31, 2014, principal balance of \$0 (July 31, 2013 - \$11,000), accrued interest of \$1,000 (July 31, 2013 - \$72) and debt discount of \$0 (July 31, 2013 - \$9,207) was recorded.

Promissory Note #11

On May 31, 2013 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$57,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on November 30, 2013. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$9,959 (July 31, 2013 - \$769) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

On May 31, 2013 interest expense relating to the beneficial conversion feature of this convertible note of \$57,500 was recorded in the financial statements with a corresponding increase to additional paid in capital. During the year ended July 31, 2014, debt discount of \$38,333 (year ended July 31, 2013 - \$19,167) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$57,500 (July 31, 2013 - \$57,500), accrued interest of \$10,728 (July 31, 2013 - \$769) and debt discount of \$0 (July 31, 2013 - \$38,333) was recorded.

Promissory Note #12

On June 30, 2013 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on December 31, 2013. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$1,210 (July 31, 2013 - \$51) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

On June 30, 2013 interest expense relating to the beneficial conversion feature of this convertible note of \$7,500 was recorded in the financial statements with a corresponding increase to additional paid in capital. During the year ended July 31, 2014, debt discount of \$6,236 (year ended July 31, 2013 - \$1,264) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$7,500), accrued interest of \$1,261 (July 31, 2013 - \$51) and debt discount of \$0 (July 31, 2013 - \$6,236) was recorded.

Promissory Note #13

On July 31, 2013 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on January 31, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$1,121 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

On July 31, 2013 interest expense relating to the beneficial conversion feature of this convertible note of \$5,250 was recorded in the financial statements with a corresponding increase to additional paid in capital. During the year ended July 31, 2014, debt discount of \$5,250 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$7,500), accrued interest of \$1,121 (July 31, 2013 - \$0) and debt discount of \$0 (July 31, 2013 - \$5,250) was recorded.

Promissory Note #14

On August 1, 2013 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$11,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on February 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$1,637 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$7,700 (July 31, 2013 - \$0) was recorded in the financial statements with a corresponding increase to additional paid in capital, and debt discount of \$7,700 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$11,000 (July 31, 2013 - \$0), accrued interest of \$1,637 (July 31, 2013 - \$0), and debt discount of \$0 (July 31, 2013 - \$0) was recorded.

Promissory Note #15

On August 31, 2013 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on March 3, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$981 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$2,250 (July 31, 2013 - \$0) was recorded in the financial statements with a corresponding increase to

additional paid in capital, and debt discount of \$2,250 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$0), accrued interest of \$981 (July 31, 2013 - \$0), and debt discount of \$0 (July 31, 2013 - \$0) was recorded.

Promissory Note #16

On September 1, 2013 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$11,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on March 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933.

During the year ended July 31, 2014, the Company accrued \$1,444 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$3,300 (July 31, 2013 - \$0) was recorded in the financial statements with a corresponding increase to additional paid in capital, and debt discount of \$3,300 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$11,000 (July 31, 2013 - \$0), accrued interest of \$1,444 (July 31, 2013 - \$0), and debt discount of \$0 (July 31, 2013 - \$0) was recorded.

Promissory Note #17

On September 30, 2013 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on March 31, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$851 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$3,000 (July 31, 2013 - \$0) was recorded in the financial statements with a corresponding increase to additional paid in capital, and debt discount of \$3,000 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$0), accrued interest of \$851 (July 31, 2013 - \$0), and debt discount of \$0 (July 31, 2013 - \$0) was recorded.

Promissory Note #18

On October 1, 2013 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$11,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on April 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$1,241 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$5,500 (July 31, 2013 - \$0) was recorded in the financial statements with a corresponding increase to additional paid in capital, and debt discount of \$5,500 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$11,000 (July 31, 2013 - \$0), accrued interest of \$1,241 (July 31, 2013 - \$0), and debt discount of \$0 (July 31, 2013 - \$0) was recorded.

Promissory Note #19

On October 31, 2013 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on July 31, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$714 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$750 (July 31, 2013 - \$0) was recorded in the financial statements with a corresponding increase to additional paid in capital, and debt discount of \$750 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$0), accrued interest of \$714 (July 31, 2013 - \$0), and debt discount of \$0 (July 31, 2013 - \$0) was recorded.

Promissory Note #20

On November 1, 2013 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$176,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on March 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933.

During the year ended July 31, 2014, the Company accrued \$16,293 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

On May 19, 2014, a replacement note was issued and the principal balance of \$50,000 and interest of \$5,000 was transferred Gel Properties, LLC.

On June 6, 2014, a replacement note was issued and the principal balance of \$25,000 was transferred Union Capital, LLC.

On July 2, 2014, a replacement note was issued and the principal balance of \$25,000 was transferred Union Capital, LLC.

On July 9, 2014, a replacement note was issued and the principal balance of \$25,000 was transferred LG Capital, LLC.

As of July 31, 2014, principal balance of \$1,000 (July 31, 2013 - \$0) and accrued interest of \$11,293 (July 31, 2013 - \$0) was recorded.

Promissory Note #21

On November 1, 2013 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$11,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on May 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933.

During the year ended July 31, 2014, the Company accrued \$1,037 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$11,000 (July 31, 2013 - \$0) and accrued interest of \$1,037 (July 31, 2013 - \$0) was recorded.

Promissory Note #22

On November 30, 2013 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on May 30, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$578 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$0) and accrued interest of \$578 (July 31, 2013 - \$0) was recorded.

Promissory Note #23

On December 1, 2013 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$16,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on June 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled

as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933.

During the year ended July 31, 2014, the Company accrued \$1,217 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$16,000 (July 31, 2013 - \$0) and accrued interest of \$1,217 (July 31, 2013 - \$0) was recorded.

Promissory Note #24

On December 13, 2013, the Company received funding pursuant to a convertible promissory note in the amount of \$37,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on September 17, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. During the year ended July 31, 2014, the Company accrued \$1,710 (July 31, 2013 - \$0) in interest expense.

After 180 days from issuance the note may be converted at the option of the holder into Common stock of the Company. The conversion price is 51% of the market price, where market price is defined as "the average of the lowest three of the last ten closing trading prices on the OTCBB immediately prior to conversion date".

Upon the holder's option to convert becoming active the Company recorded a debt discount and derivative liability of \$47,251 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value. Any change in fair value is credited or charged to the statement of operations in the period.

During the year ended July 31, 2014, the Company recorded a loss of \$15,837 (July 31, 2013 - \$0) due to the change in value of the derivative liability during the period, and debt discount of \$36,530 (July 31, 2013 - \$0) was accreted to the statement of operations.

During the year ended July 31, 2014, the Company issued 243,915,678 common shares upon the conversion of \$35,045 in principal, and \$54,963 of the derivative liability was re-classified as additional paid in capital upon conversion.

As of July 31, 2014, principal balance of \$2,455 (July 31, 2013 - \$0), accrued interest of \$1,710, debt discount of \$970 (July 31, 2013 - \$0), and derivative liability of \$8,124 (July 31, 2013 - \$0) was recorded.

Promissory Note #25

On December 31, 2013 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on June 30, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$438 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$0) and accrued interest of \$438 (July 31, 2013 - \$0) was recorded.

Promissory Note #26

On January 1, 2014 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$7,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on July 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$404 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$7,000 (July 31, 2013 - \$0) and accrued interest of \$404 (July 31, 2013 - \$0) was recorded.

Promissory Note #27

On January 31, 2014 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on July 31, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$298 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$0) and accrued interest of \$298 (July 31, 2013 - \$0) was recorded.

Promissory Note #28

On February 1, 2014 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$16,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on August 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$631 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$16,000 (July 31, 2013 - \$0) and accrued interest of \$631 (July 31, 2013 - \$0) was recorded.

Promissory Note #29

On February 28, 2014 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on August 28, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$252 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$0) and accrued interest of \$252 (July 31, 2013 - \$0) was recorded.

Promissory Note #30

On March 1, 2014 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$16,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on September 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$533 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$16,000 (July 31, 2013 - \$0) and accrued interest of \$533 (July 31, 2013 - \$0) was recorded.

Promissory Note #31

On March 17, 2014, the Company received funding pursuant to a convertible promissory note in the amount of \$26,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on March 17, 2015. Any

principal amount not paid by the maturity date bears interest at 24% per annum. During the year ended July 31, 2014, the Company accrued \$790 (July 31, 2013 - \$0) in interest expense.

After 180 days from issuance the note may be converted at the option of the holder into Common stock of the Company. The conversion price is 50% of the market price, where market price is defined as "the lowest closing bid price of the ten prior trading days on the OTCBB including the day upon which a Notice of Conversion is received by the Company."

As of July 31, 2014, principal balance of \$26,500 (July 31, 2013 - \$0) and accrued interest of \$790 (July 31, 2013 - \$0) was recorded.

Promissory Note #32

On March 17, 2014, the Company arranged a debt swap under which Syndication Capital Note #8 for \$44,978 was transferred to LG Capital Funding, LLC. The promissory note is unsecured, bears interest at 8% per annum and matures on March 17, 2015. Any principal amount not paid by the maturity date bears interest at 24% per annum. The note also contains customary events of default. During the year ended July 31, 2014, the Company accrued \$941 (year ended July 31, 2013 - \$0) in interest expense.

Upon the holder's option to convert becoming active the Company recorded a debt discount and derivative liability of \$64,366 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value. Any change in fair value is credited or charged to the statement of operations in the period.

During the year ended July 31, 2014, the Company recorded a loss of \$33,473 (year ended July 31, 2013 - \$0) due to the change in value of the derivative liability during the period, and debt discount of \$44,978 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

During the year ended July 31, 2014, the Company issued 183,519,539 common shares upon the conversion of \$44,978 of the principal balance and \$941 in interest, and \$97,839 of the derivative liability was re-classified as additional paid in capital upon conversion.

As of July 31, 2014, principal balance of \$0 (July 31, 2013 - \$0) accrued interest of \$0 (July 31, 2013 - \$0), debt discount of \$0 (July 31, 2013 - \$0) and a derivative liability of \$0 (July 31, 2013 - \$0) was recorded.

Promissory Note #33

On March 26, 2014, the Company arranged a debt swap under which Syndication Capital Note #9 for \$11,000 and Syndication Capital Note #10 for \$11,000 was transferred to Gel Properties, LLC. The promissory note is unsecured, bears interest at 8% per annum and matures on March 26, 2015. Any principal amount not paid by the maturity date bears interest at 24% per annum. The note also contains customary events of default. During the year ended July 31, 2014, the Company accrued \$261 (year ended July 31, 2013 - \$0) in interest expense.

Upon the holder's option to convert becoming active the Company recorded a debt discount and derivative liability of \$67,153 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value. Any change in fair value is credited or charged to the statement of operations in the period.

During the year ended July 31, 2014, the Company recorded a gain of \$7,715 (year ended July 31, 2013 - \$0) due to the change in value of the derivative liability during the period, and debt discount of \$22,000 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

During the year ended July 31, 2014, the Company issued 95,700,000 common shares upon the conversion of \$22,000 of the principal balance and \$261 in interest, and \$59,438 of the derivative liability was re-classified as additional paid in capital upon conversion.

As of July 31, 2014, principal balance of \$0 (July 31, 2013 - \$0) accrued interest of \$0 (July 31, 2013 - \$0), debt discount of \$0 (July 31, 2013 - \$0) and a derivative liability of \$0 (July 31, 2013 - \$0) was recorded.

Promissory Note #34

On March 31, 2014 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on September 30, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$201 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$0) and accrued interest of \$201 (July 31, 2013 - \$0) was recorded.

Promissory Note #35

On April 1, 2014 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$16,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on October 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$424 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$16,000 (July 31, 2013 - \$0), accrued interest of \$424 (July 31, 2013 - \$0) and debt discount of \$0 (July 31, 2013 - \$0) was recorded.

Promissory Note #36

On April 30, 2014 the Company entered into a Convertible Promissory Note with Dhugald Pinchin in the sum of \$7,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on October 30, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$151 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$1,500 (July 31, 2013 - \$0) was recorded in the financial statements with a corresponding increase to additional paid in capital, and debt discount of \$754 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$7,500 (July 31, 2013 - \$0) and accrued interest of \$151 (July 31, 2013 - \$0) and debt discount of \$746 (July 31, 2013 - \$0) was recorded.

Promissory Note #37

On May 1, 2014 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC, in the sum of \$16,500. The promissory note is unsecured, bears interest at 8% per annum, and matures on November 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$329 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$4,950 (July 31, 2013 - \$0) was recorded in the financial statements with a corresponding increase to additional paid in capital, and debt discount of \$2,475 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

As of July 31, 2014, principal balance of \$16,500 (July 31, 2013 - \$0) and accrued interest of \$329 (July 31, 2013 - \$0) and debt discount of \$2,475 (July 31, 2013 - \$0) was recorded.

Promissory Note #38

On May 19, 2014, the Company arranged a debt swap under which Syndication Capital Note #20 for \$55,000 in principal and interest was transferred to Gel Properties, LLC. The promissory note is unsecured, bears interest at 8% per annum and matures on May 19, 2015. Any principal amount not paid by the maturity date bears interest at 16% per annum. The note also contains customary events of default. During the year ended July 31, 2014, the Company accrued \$861 (year ended July 31, 2013 - \$0) in interest expense.

Upon the holder's option to convert becoming active the Company recorded a debt discount and derivative liability of \$64,251 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value. Any change in fair value is credited or charged to the statement of operations in the period.

During the year ended July 31, 2014, the Company recorded a loss of \$73,406 (year ended July 31, 2013 - \$0) due to the change in value of the derivative liability during the period, and debt discount of \$20,529 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

During the year ended July 31, 2014, the Company issued 180,000,000 common shares upon the conversion of \$11,911 of the principal balance, and \$19,103 of the derivative liability was reclassified as additional paid in capital upon conversion.

As of July 31, 2014, principal balance of \$43,089 (July 31, 2013 - \$0) accrued interest of \$861 (July 31, 2013 - \$0), debt discount of \$34,471 (July 31, 2013 - \$0) and a derivative liability of \$118,554 (July 31, 2013 - \$0) was recorded.

Promissory Note #39

On May 19, 2014, the Company received funding pursuant to a convertible promissory note in the amount of \$25,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on May 19, 2015. Any principal amount not paid by the maturity date bears interest at 16% per annum. During the year ended July 31, 2014, the Company accrued \$400 (July 31, 2013 - \$0) in interest expense.

After 180 days from issuance the note may be converted at the option of the holder into Common stock of the Company. The conversion price is 60% of the market price, where market price is defined as "the lowest closing bid price of the ten prior trading days on the OTCBB including the day upon which a Notice of Conversion is received by the Company."

As of July 31, 2014, principal balance of \$25,000 (July 31, 2013 - \$0) and accrued interest of \$400 (July 31, 2013 - \$0) was recorded.

Promissory Note #40

On June 1, 2014 the Company entered into a Convertible Promissory Note with Syndication Capital, LLC in the sum of \$48,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on December 1, 2014. Any principal amount not paid by the maturity date bears interest at 22% per annum. The Conversion Price shall mean par .001 multiplied by the number of Common Stock converted at the time. The transaction was handled as a private sale exempt from registration under Section 4(2) of the Securities Act of 1933. During the year ended July 31, 2014, the Company accrued \$631 (July 31, 2013 - \$0) in interest expense.

A portion of the proceeds from issuance of the convertible debt, equal to the intrinsic value, is allocated to additional paid-in capital. Because the debt is due on demand and is convertible at the date of issuance, the valuation of the beneficial conversion feature is charged to interest expense at the date of issuance.

During the year ended July 31, 2014 interest expense relating to the beneficial conversion feature of this convertible note of \$0 (July 31, 2013 - \$0) was recorded in the financial statements, with a corresponding increase to additional paid in capital.

As of July 31, 2014, principal balance of \$48,000 (July 31, 2013 - \$0) and accrued interest of \$631 (July 31, 2013 - \$0) was recorded.

Promissory Note #41

On June 6, 2014, the Company arranged a debt swap under which Syndication Capital Note #20 for \$25,000 was transferred to Union Capital, LLC. The promissory note is unsecured, bears interest at 8% per annum and matures on June 6, 2015. Any principal amount not paid by the maturity date bears interest at 16% per annum. The note also contains customary events of default. During the year ended July 31, 2014, the Company accrued \$135 (year ended July 31, 2013 - \$0) in interest expense.

Upon the holder's option to convert becoming active the Company recorded a debt discount and derivative liability of \$41,722 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value. Any change in fair value is credited or charged to the statement of operations in the period.

During the year ended July 31, 2014, the Company recorded a gain of \$3,755 (year ended July 31, 2013 - \$0) due to the change in value of the derivative liability during the period, and debt discount of \$25,000 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

During the year ended July 31, 2014, the Company issued 144,034,430 common shares upon the conversion of \$25,000 of the principal balance and \$31 in interest, and \$37,967 of the derivative liability was re-classified as additional paid in capital upon conversion.

As of July 31, 2014, principal balance of \$0 (July 31, 2013 - \$0) accrued interest of \$104 (July 31, 2013 - \$0), debt discount of \$0 (July 31, 2013 - \$0) and a derivative liability of \$0 (July 31, 2013 - \$0) was recorded.

Promissory Note #42

On June 6, 2014, the Company received funding pursuant to a convertible promissory note in the amount of \$25,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on June 6, 2015. Any principal amount not paid by the maturity date bears interest at 16% per annum. During the year ended July 31, 2014, the Company accrued \$301 (July 31, 2013 - \$0) in interest expense.

After 180 days from issuance the note may be converted at the option of the holder into Common stock of the Company. The conversion price is 60% of the market price, where market price is defined as "the lowest closing bid price of the ten prior trading days on the OTCBB including the day upon which a Notice of Conversion is received by the Company."

As of July 31, 2014, principal balance of \$25,000 (July 31, 2013 - \$0) and accrued interest of \$301 (July 31, 2013 - \$0) was recorded.

Promissory Note #43

On July 2, 2014, the Company arranged a debt swap under which Syndication Capital Note #20 for \$25,000 was transferred to Union Capital, LLC. The promissory note is unsecured, bears interest at 8% per annum and matures on July 2, 2015. Any principal amount not paid by the maturity date bears interest at 16% per annum. The note also contains customary events of default. During the year ended July 31, 2014, the Company accrued \$151 (year ended July 31, 2013 - \$0) in interest expense.

Upon the holder's option to convert becoming active the Company recorded a debt discount and derivative liability of \$38,646 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value. Any change in fair value is credited or charged to the statement of operations in the period.

During the year ended July 31, 2014, the Company recorded a loss of \$26,301 (year ended July 31, 2013 - \$0) due to the change in value of the derivative liability during the period, and debt discount of \$4,670 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

During the year ended July 31, 2014, the Company issued 68,000,000 common shares upon the conversion of \$2,915 of the principal balance, and \$4,183 of the derivative liability was re-classified as additional paid in capital upon conversion.

As of July 31, 2014, principal balance of \$22,085 (July 31, 2013 - \$0) accrued interest of \$151 (July 31, 2013 - \$0), debt discount of \$20,330 (July 31, 2013 - \$0) and a derivative liability of \$60,764 (July 31, 2013 - \$0) was recorded.

Promissory Note #44

On July 2, 2014, the Company received funding pursuant to a convertible promissory note in the amount of \$25,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on July 2, 2015. Any principal amount not paid by the maturity date bears interest at 16% per annum. During the year ended July 31, 2014, the Company accrued \$159 (July 31, 2013 - \$0) in interest expense.

After 180 days from issuance the note may be converted at the option of the holder into Common stock of the Company. The conversion price is 60% of the market price, where market price is defined as “the lowest closing bid price of the ten prior trading days on the OTCBB including the day upon which a Notice of Conversion is received by the Company.”

As of July 31, 2014, principal balance of \$25,000 (July 31, 2013 - \$0) and accrued interest of \$159 (July 31, 2013 - \$0) was recorded.

Promissory Note #45

On July 9, 2014, the Company arranged a debt swap under which Syndication Capital Note #20 for \$75,000 was transferred to LG Capital Funding, LLC. The promissory note is unsecured, bears interest at 8% per annum and matures on July 9, 2015. Any principal amount not paid by the maturity date bears interest at 16% per annum. The note also contains customary events of default. During the year ended July 31, 2014, the Company accrued \$346 (year ended July 31, 2013 - \$0) in interest expense.

Upon the holder’s option to convert becoming active the Company recorded a debt discount and derivative liability of \$202,937 being the fair value of the conversion feature which was determined using the Black-Scholes valuation model. The debt discount is accreted to the statement of operations using the effective interest rate method over the term of the note or to the date of conversion, and the derivative liability is revalued at each reporting date to fair value. Any change in fair value is credited or charged to the statement of operations in the period.

During the year ended July 31, 2014, the Company recorded a loss of \$39,287 (year ended July 31, 2013 - \$0) due to the change in value of the derivative liability during the period, and debt discount of \$15,797 (year ended July 31, 2013 - \$0) was accreted to the statement of operations.

During the year ended July 31, 2014, the Company issued 240,853,040 common shares upon the conversion of \$12,000 of the principal balance and \$43 in interest, and \$29,023 of the derivative liability was re-classified as additional paid in capital upon conversion.

As of July 31, 2014, principal balance of \$63,000 (July 31, 2013 - \$0) accrued interest of \$304 (July 31, 2013 - \$0), debt discount of \$59,203 (July 31, 2013 - \$0) and a derivative liability of \$213,201 (July 31, 2013 - \$0) was recorded.

Promissory Note #46

On July 9, 2014, the Company received funding pursuant to a convertible promissory note in the amount of \$33,000. The promissory note is unsecured, bears interest at 8% per annum, and matures on July 9, 2015. Any principal amount not paid by the maturity date bears interest at 16% per annum. During the year ended July 31, 2014, the Company accrued \$159 (July 31, 2013 - \$0) in interest expense.

After 180 days from issuance the note may be converted at the option of the holder into Common stock of the Company. The conversion price is 50% of the market price, where market price is defined as “the lowest closing bid price of the ten prior trading days on the OTCBB including the day upon which a Notice of Conversion is received by the Company.”

As of July 31, 2014, principal balance of \$33,000 (July 31, 2013 - \$0) and accrued interest of \$159 (July 31, 2013 - \$0) was recorded.

Note 8 Derivative Liabilities

The Company issued financial instruments in the form of convertible notes with embedded conversion features. The convertible notes payable have conversion rates which are indexed to the market value of the Company's common stock price.

During the year ended July 31, 2014, the Company has a balance of derivative liabilities for embedded conversion features related to convertible notes payable of face value \$479,320 (July 31, 2013 - \$133,962). During the year ending July 31, 2014, \$228,725 (July 31, 2013 - \$102,600) of convertible notes payable principal and interest were converted into common stock of the Company.

These derivative liabilities have been measured in accordance with fair value measurements, as defined by GAAP. The valuation assumptions are classified within Level 1 inputs and Level 2 inputs.

The following table represents the Company's derivative liability activity for the embedded conversion features discussed above:

	July 31, 2014
Balance, beginning of year	\$ 133,962
Initial recognition of derivative liability	526,326
Fair value change in derivative liability	265,285
Conversion of derivative liability to APIC	
Promissory Note #4	(67,031)
Promissory Note #7	(76,706)
Promissory Note #24	(54,963)
Promissory Note #32	(97,839)
Promissory Note #33	(59,438)
Promissory Note #38	(19,103)
Promissory Note #41	(37,967)
Promissory Note #43	(4,183)
Promissory Note #45	(29,023)
Balance as of July 31, 2014	<u>\$ 479,320</u>

Note 9 Common Stock

The Company is authorized to issue 20,000,000 shares of its \$0.001 par value preferred stock and 900,000,000 shares of its \$0.001 par value common stock.

On June 16, 2008, the Company issued 24,000,000 common shares to the Company's former president at \$0.002 per share for total proceeds of \$48,000.

On July 31, 2008, the Company issued 20,400,000 common shares at \$0.0035 per share for total proceeds of \$71,400 pursuant to a private placement. The Company paid commissions of \$7,025 for net proceeds of \$64,375.

On October 26, 2009, the Company issued 200,000 common shares at \$0.25 per share for total proceeds of \$50,000 pursuant to a private placement.

On October 30, 2009, the Company issued 200,000 common shares at \$0.25 per share for total proceeds of \$50,000 pursuant to a private placement.

On November 26, 2009, the Company issued 100,000 common shares at \$1.00 per share for total proceeds of \$100,000 pursuant to a private placement.

On March 5, 2010, the Company issued 120,000 common shares at \$1.00 per share for total proceeds of \$120,000 pursuant to a private placement.

On April 30, 2010, the Company issued 33,333 common shares at \$1.50 per share for total proceeds of \$50,000 pursuant to a private placement.

On June 16, 2010, the Company issued 105,932 common shares at \$1.18 per share for total proceeds of \$125,000 pursuant to a private placement.

On August 7, 2010, the Company issued 4,000,000 common shares with an aggregate fair value of \$2,000,000 pursuant to the acquisition of Vulture Gold LLC.

On September 29, 2010, the Company issued 100,000 common shares at \$0.50 per share for total proceeds of \$50,000 pursuant to a private placement.

On October 22, 2010, the Company issued 31,250 common shares at \$0.64 per share for total proceeds of \$20,000 pursuant to a private placement.

On December 14, 2010, the Company issued 156,250 common shares at \$0.32 per share for total proceeds of \$50,000 pursuant to a private placement.

On February 25, 2011, the Company issued 50,000 common shares at \$0.40 for total proceeds of \$20,000 pursuant to a private placement.

On March 29, 2011, the Company issued 125,000 common shares at \$0.40 for total proceeds of \$50,000 pursuant to a private placement.

On April 28, 2011, the Company issued 125,000 common shares at \$0.32 for total proceeds of \$40,000 pursuant to a private placement.

On June 17, 2011, the Company issued 100,000 common shares at \$0.40 for total proceeds of \$40,000 pursuant to a private placement.

On September 7, 2011, the Company issued 160,000 common shares at \$0.25 for total proceeds of \$40,000 pursuant to a private placement.

On November 29, 2011, the Company issued 250,000 common shares at \$0.10 for total proceeds of \$25,000 pursuant to a private placement.

On January 6, 2012, the Company issued 125,000 common shares at \$0.08 for total proceeds of \$10,000 pursuant to a private placement.

On May 10, 2012, the Company issued 1,000,000 common shares pursuant to a mineral property option agreement with a fair value of \$80,000.

During the period of August 1, 2012 to October 31, 2012, the Company issued 9,585,054 common shares with a fair value of \$33,800 upon the conversion of a promissory note into common stock.

On October 31, 2012, the President of the Company acquired 10,000,000 common shares of the Company in a private transaction. As of October 31, 2012, the President holds a 16.4% interest in the common stock of the Company.

During the period of November 1, 2012 and January 31, 2013, the Company issued 5,925,083 common shares with a fair value of \$30,438.08 upon the conversion of promissory notes into common stock.

During the period of February 1, 2013 and April 30, 2013, the Company issued 13,478,164 common shares with a fair value of \$24,800 upon the conversion of promissory notes into common stock.

During the period of May 1, 2013 and July 31, 2013, the Company issued 22,644,333 common shares with a fair value of \$20,400 upon the conversion of promissory notes into common stock.

During the year ended July 31, 2014, the Company issued 1,330,814,017 common shares upon the conversion of \$228,725 in principal and interest of promissory notes into common stock.

Capital Contribution

During the year ended July 31, 2010, the former president of the Company granted an option to the current president of the Company to acquire up to 20,000,000 common shares of the Company, held by the former president, at a price of \$0.0025 per share effective December 20, 2010 until May 1, 2011. The Company has recorded compensation under management fees and a capital contribution of \$0 (2011 - \$3,992,571) (2010 - \$6,967,429) aggregating \$10,960,000 using the Black-Scholes valuation model based on the following inputs; exercise price \$0.0025; dividend rate 0; current stock price of \$0.55; term 1.5 years; and volatility 137.75%.

Warrants and Options

As of July 31, 2014 and 2013, there were no warrants or options outstanding to acquire any additional shares of common stock.

Note 10 Mineral Properties

a) On October 26, 2009, the Company entered into a property option agreement whereby the Company was granted an option to earn up to a 50% interest in 19 mineral claims (the "KRK West" claims) located in the Thunder Bay Mining Division of Ontario. The option agreement is denominated in Canadian dollars.

Consideration for the option was the issuance of 2,000,000 common shares of the Company, cash payments totaling \$103,718 (CDN\$110,000), and aggregate exploration expenditures of \$969,268 (CDN\$1,000,000) as follows:

i) Cash payments:

- * \$46,640 (CDN\$50,000) upon execution of the Option agreement (paid);
- * \$57,078(CDN\$60,000) on or before December 1, 2009 (paid)

ii) Exploration expenditures of \$484,768 (CDN\$500,000) on or before December 31, 2010, and \$969,268 (CDN\$1,000,000) in aggregate on or before December 31, 2011.

In aggregate to July 31, 2011, the Company incurred exploration expenditures aggregating \$32,080 (CDN\$32,836) (See below regarding status of the agreement)

iii) The issuance of 2,000,000 common shares (none issued) to the shareholders of the optionor, as directed by the optionor.

Upon earning its 50% interest in the option, the Company was to enter into a joint venture agreement to develop and operate the property.

Pursuant to the agreement, if commercial production had been achieved and the Company sold or otherwise disposed of metals and minerals that had been produced and removed from the KRK West properties, the Company would pay Thunder Bay a 3% Net Smelter Return royalty.

In the event the Company sold or caused the sale of products other than to a smelter or refinery or otherwise caused the removal of products from the Property, the Company would pay a 2% Net Smelter Return Royalty.

Alternatively, the Company could buy back the royalty right for \$1,000,000 for each breccia pipe that reached commercial production.

The property option agreement was stated in Canadian dollars. The US dollar equivalent was converted using the foreign exchange rate at July 31, 2010 for all future commitments.

During the year ended July 31, 2010, the Company learned that the optionor had allowed the underlying claims to lapse, and therefore the option agreement was null and void.

The Company, and a director of the Company (The Company subsequently purchased these claims from the director), purchased the claims from persons who re-staked the claims for an aggregate amount of \$27,577. Subsequent to acquisition, the claims were transferred to the Company's wholly owned subsidiary, Northern Bonanza Inc. Due to the lapse of the underlying claims the Company impaired a total of \$131,295 of acquisition costs incurred as of July 31, 2010 made up of the initial \$103,718 payment and the additional payment of \$27,577.

The original optionor represents that control of the claims remains with the optionor and that the Company has no right to further explore the property. The Company disagrees with this assertion and accordingly, ownership to the claims is in dispute. On January 6, 2011 the Ministry of Northern Development, Mines and Forestry, Canada, was to adjudicate upon the ownership of the claims. The hearing did not occur as the other party filed for a change of venue. A determination regarding the change of venue has not yet been made and a date for rendering the decision has not yet been established. Mediation regarding the matter was deferred until late 2011 and prior to the hearing the optionor cancelled the mediation.

In October 2011, the Company, as a result of the cancellation of the mediation hearing with William J. Wheeler regarding the Thunder Bay claims, decided the best course of action was to file suit. Accordingly, a suit was filed against Thunder Bay and Wheeler in Ontario Superior Court of Justice. In the suit we detail the breach of the Agreement by Thunder Bay and Wheeler and request:

- * An order transferring an application regarding mining claims pending before the Office of the Mining and Lands Commissioner to the Ontario Superior Court of Justice to be consolidated with this action;
- * A declaration regarding our ownership and Thunder Bay and Wheeler's ownership with respect to certain mining claims; and
- * \$1,200,000 in damages from Thunder Bay and Wheeler.

b) During the year ended July 31, 2010, the Company entered into a property purchase agreement, which was formalized on May 4, 2010, to acquire a 100% interest in 21 mining claims located in the Northern Ontario for \$50,767 (Cdn\$51,800). During the year ended July 31, 2010, the Company incurred an additional \$17,741 in staking costs in relation to these claims. Subsequent to acquisition the claims and exploration costs were transferred to NBI at cost.

During the year ended July 31, 2010, the Company made exploration advances to the operator amounting to \$47,806. As of July 31, 2010 the operator had incurred exploration expenses aggregating \$20,118 resulting in net advances held being \$26,968. During the year ended July 31, 2011, the Company made further advances to the operator of \$7,040.

During the year ended July 31, 2011 the operator incurred exploration expenditures of \$34,008 and the Company also incurred direct exploration expenditures of \$47,335.

As of July 31, 2014, the operator held exploration advances amounting to \$0 (2013 - \$0). Due to lack of funding, the Company has no immediate plans to explore these mines to determine resources available and consequently the costs incurred of \$68,599 for these mineral properties was deemed to be fully impaired as of July 31, 2011.

c) On August 7, 2010, the Company acquired a 100% interest in Vulture Gold LLC, ("Vulture") a Nevada limited Liability Company. Vulture holds 27 mineral claims in Maricopa County, Arizona, known as the Vulture Mine. As consideration for the acquisition the Company issued 4,000,000 common shares with a fair value of \$2,000,000.

This transaction has been recorded as an asset acquisition and the fair value paid has been allocated to the cost of acquisition of the mineral property.

Due to lack of funding, the Company has no immediate plans to explore these mines to determine resources available and consequently the costs of \$2,000,000 incurred for these mineral properties is deemed to be fully impaired.

During the year ended July 31, 2014, the Company incurred exploration expenditures of \$0 (July 31, 2013 - \$3,317) on the property.

d) On March 28, 2012, the Company entered into a property option agreement whereby the Company was granted an option to earn a 100% interest in 3 mineral tenures located in Northern British Columbia. The option agreement is denominated in US dollars.

Consideration for the option was the issuance of 1,000,000 common shares of the Company on March 28, 2012 valued at \$80,000, (issued) and cash payment of \$5,000 by April 2, 2012 (paid) and aggregate exploration expenditures of \$25,000 by September 15, 2013.

As of July 31, 2014, no exploration expenditures have been incurred on the property.

Note 11 Income Taxes

The Company had no income tax expense during the reported period due to net operating losses. A reconciliation of income tax expense to the amount computed at the statutory rates is as follows:

	2014	2013
Operating loss for the year ended July 31	\$ (1,380,491)	\$ (471,972)
Average statutory tax rate	34%	34%
Expected income tax provisions	\$ (469,367)	\$ (160,470)
Unrecognized tax losses	(469,367)	(160,470)
Income tax expense	\$ -	\$ -

The Company has net operating losses carried forward of approximately \$16,062,834 for tax purposes which may be recognized in future periods, not to exceed 20 years.

Note 12 Commitments

The Company has an ongoing agreement with a director of the company to provide management services for \$7,500 per month. Either party may terminate the agreement with one month's written notice.

On March 25, 2014, the director terminated his employment with the Company.

Note 13 Subsequent event

Subsequent to the year end the Company:

On August 1, 2014, the holder of a convertible note converted a total of \$4,140 of principal into 69,000,000 shares of common stock at a price of \$.00006.

On August 1, 2014, the holder of a convertible note converted a total of \$5,025 of principal and interest into 100,504,109 shares of common stock at a price of \$.00005.

On August 5, 2014, the holder of a convertible note converted a total of \$1,620 of principal into 32,400,000 shares of common stock at a price of \$.00005.

On August 5, 2014, the holder of a convertible note converted a total of \$4,380 of principal into 73,000,000 shares of common stock at a price of \$.00006.

On August 5, 2014, the holder of a convertible note converted a total of \$1,000 of principal into 38,000,000 shares of common stock at a price of \$.0000263.

On August 7, 2014, the holder of a convertible note converted a total of \$5,535 of principal and interest into 110,699,178 shares of common stock at a price of \$.00005.

On August 7, 2014, the holder of a convertible note converted a total of \$5,220 of principal into 87,000,000 shares of common stock at a price of \$.00006.

On August 8, 2014, the holder of a convertible note converted a total of \$1,570 of principal and interest into 32,400,000 shares of common stock at a price of \$.00005.

On August 8, 2014, the holder of a convertible note converted a total of \$1,000 of principal into 40,000,000 shares of common stock at a price of \$.000025.

On August 12, 2014, the holder of a convertible note converted a total of \$6,000 of principal into 100,000,000 shares of common stock at a price of \$.00006.

On August 12, 2014, the holder of a convertible note converted a total of \$6,043 of principal and interest into 120,867,945 shares of common stock at a price of \$.00005.

On August 13, 2014, the holder of a convertible note converted a total of \$1,000 of principal into 41,000,000 shares of common stock at a price of \$.0000244.

On August 15, 2014, the holder of a convertible note converted a total of \$6,550 of principal and interest into 130,997,260 shares of common stock at a price of \$.00005.

On August 15, 2014, the holder of a convertible note converted a total of \$715 of interest into 14,300,000 shares of common stock at a price of \$.00005.

On August 18, 2014, the holder of a convertible note converted a total of \$6,300 of principal into 105,000,000 shares of common stock at a price of \$.00006.

On August 18, 2014, the holder of a convertible note converted a total of \$1,000 of principal into 43,900,000 shares of common stock at a price of \$.0000228.

On August 25, 2014, the holder of a convertible note converted a total of \$1,000 of principal into 125,000,000 shares of common stock at a price of \$.00008.

On August 25, 2014, the holder of a convertible note converted a total of \$8,000 of principal into 133,333,333 shares of common stock at a price of \$.00006.

On August 27, 2014, the holder of a convertible note converted a total of \$8,400 of principal into 140,000,000 shares of common stock at a price of \$.00006.

On August 28, 2014, the holder of a convertible note converted a total of \$2,876 of principal and interest into 47,936,556 shares of common stock at a price of \$.00006.

On August 28, 2014, the holder of a convertible note converted a total of \$1,636 of principal into 27,266,333 shares of common stock at a price of \$.00006.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Previous Independent Registered Public Accounting Firm

1. On October 21, 2013, Anton & Chia LLP (“Anton & Chia”) resigned as independent auditor our Company.
2. The reports of Anton & Chia on the Company’s consolidated unaudited financial statements as of and for the periods ended April 30, 2013 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle except to indicate that there was substantial doubt about the Company’s ability to continue as a going concern.
3. The board of directors of the Company represented by the board of directors discussed the resignation with Anton & Chia and reluctantly accepted such resignation.
4. During the Company’s most recent interim periods, and any subsequent interim period preceding the resignation on October 21, 2013, there were no disagreements between the Company and Anton & Chia on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Anton & Chia, would have caused Anton & Chia to make reference to the subject matter of the disagreement(s) in connection with his reports.
5. The Company has provided Anton & Chia with a copy of the disclosures it is making in response to this Item. The Company has requested Anton & Chia to furnish a letter addressed to the Commission stating whether it agrees with the statements made by the Company and, if not, stating the respects in which it does not agree. The Company has filed the letter furnished by Anton & Chia as an exhibit to our Current Report on Form 8-K filed with the SEC on October 25, 2013.

New Independent Registered Public Accounting Firm

On October 23, 2013, the Company engaged W. T. Uniack & Co. CPA’s as its new independent registered public accounting firm. During the two most recent fiscal years and through October 23, 2013, the Company had not consulted with W. T. Uniack & Co. CPA’s regarding any of the following:

1. The application of accounting principles to a specific transaction, either completed or proposed;
2. The type of audit opinion that might be rendered on the company’s consolidated financial statements, and none of the following was provided to the Company (a) a written report, or (b) oral advice that W. T. Uniack & Co. CPA’s concluded was an important factor considered by the Company in reaching a decision as to accounting, auditing or financial report issues; or
3. Any matter that was the subject of a disagreement, as that term is defined in item 304(a)(1)(iv) of Regulation S-K.

Previous Independent Registered Public Accounting Firm

1. On October 16, 2014, Source Gold Corp. (the “Registrant”), after review and recommendation by its board of directors, dismissed W.T. Uniack & Co., CPAs P.C. (“Uniack”) as the Registrant’s independent registered public accounting firm.
2. Uniack’s audit reports for the Registrant’s fiscal years ended July 31, 2013 and 2012 did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles, except for a going concern opinion expressing substantial doubt about the ability of the Registrant to continue as a going concern.
3. During the Registrant’s two most recent fiscal years there were no disagreements between the Registrant and Uniack regarding any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Uniack, would have caused Uniack to make reference to the subject matter of the disagreement(s) in connection with its reports; and (ii) no reportable events within the meaning set forth in Item 304(a)(1)(v) of Regulation S-K.

4. The Registrant has provided Uniack with a copy of this Form 8-K prior to its filing with the U.S. Securities and Exchange Commission (“SEC”) and requested Uniack to furnish to the Registrant a letter addressed to the SEC stating whether it agrees with the statements made by the Registrant and, if not, stating the respects in which it does not agree. When received, a copy of Uniack’s response letter will be filed as an Exhibit to an amendment of this Current Report.

New Independent Registered Public Accounting Firm

4. On October 16, 2014, the Registrant engaged John Scrudato, CPA, as its independent registered public accounting firm (“Scrudato”).
5. During the Registrant’s two most recent fiscal years and through the date of this report, the Registrant did not consult with Scrudato regarding (i) the application of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered regarding the Registrant’s financial statements, and no written or oral advice was provided by Scrudato that was an important factor considered by the Registrant in making a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of any disagreement or event, as set forth in Item 304 (a)(1)(iv) or Item 304(a)(1)(v) of Regulation S-K.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The Company has adopted and maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports filed under the Exchange Act, such as this annual report, is collected, recorded, processed, summarized and reported within the time periods specified in the rules of the SEC. The Company’s disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to management to allow timely decisions regarding required disclosure. As required under Exchange Act Rule 13a-15, the Company’s management, including the Chief Executive Officer who also serves as our Principal Financial Officer, has conducted an evaluation of the effectiveness of disclosure controls and procedures as of the end of the period covered by this report. Inasmuch as

we only have one individual serving as our officer, director and employee we have determined that the Company has, per se, inadequate controls and procedures over financial reporting.

The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: domination of management by a single individual without adequate compensating controls, inadequate segregation of duties consistent with control objectives, and lack of an audit committee. These material weaknesses were identified by our Chief Executive who also serves as our Financial Officer in connection with the above annual evaluation.

Management believes that the material weaknesses did not have an effect on our financial results. However, management believes that the lack of a functioning audit committee and inadequate segregation of duties results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

Management recognizes that its controls and procedures would be substantially improved if we had an audit committee and two individuals serving as officers and as such is actively seeking to remediate this issue. Management believes that the material weakness in its controls and procedures referenced did not have an effect on our financial results. Based on that evaluation, the Chief Executive Office who also serves as our Principal Financial Officer concluded that the disclosure controls and procedures are ineffective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements. Management conducted an assessment of the Company's internal control over financial reporting based on the framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. Based on the assessment, management concluded that, as of July 31, 2014, the Company's internal control over financial reporting is ineffective based on those criteria.

The Company's management, including its Chief Executive Officer, who also serves as our Principal Financial Officer, does not expect that the Company's disclosure controls and procedures and its internal control processes will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of error or fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that the breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management's Remediation Initiatives

In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we have initiated, or plan to initiate, the following series of measures:

We will create a position to segregate duties consistent with control objectives and will increase our personnel resources and technical accounting expertise within the accounting function when funds are available to

us. And, we plan to appoint one or more outside directors to our board of directors who shall be appointed to an audit committee resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures such as reviewing and approving estimates and assumptions made by management when funds are available to us.

Management believes that the appointment of one or more outside directors, who shall be appointed to a fully functioning audit committee, will remedy the lack of a functioning audit committee and a lack of a majority of outside directors on our Board.

We will work as quickly as possible to implement these initiatives; however, the lack of adequate working capital and positive cash flow from operations will likely slow this implementation.

Changes in Internal Control

There have been no changes in internal controls over the financial reporting that occurred during the period ending July 31, 2014, that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION.

On August 1, 2013, the Company entered into a Convertible Promissory Note with Syndication Capital, LLC. Under the terms of the promissory note the Company has borrowed \$11,000.00 from Syndication Capital, LLC, which accrues interest at an annual rate of 8%, with a February 1, 2014 maturity date. This note also contains customary events of default.

On August 31, 2013, the Company entered into a Convertible Promissory Note with our sole director and officer. Under the terms of the promissory note the Company has borrowed \$7,500.00 from our sole officer and director, which accrues interest at an annual rate of 8% with a maturity date of March 3, 2014. This note also contains customary events of default.

On September 1, 2013, the Company entered into a Convertible Promissory Note with Syndication Capital LLC. Under the terms of this promissory note the Company has borrowed \$11,000.00 from Syndication Capital, LLC, which accrues interest at an annual rate of 8% with a March 1, 2014 maturity date. This note also contains customary events of default.

On September 30, 2013, the Company entered into a Convertible Promissory Note with our sole director and officer. Under the terms of the promissory note the Company has borrowed \$7,500.00 from our sole officer and director, which accrues interest at an annual rate of 8% with a maturity date of March 31, 2014. This note also contains customary events of default.

On October 1, 2013, the Company entered into a Convertible Promissory Note with Syndication Capital LLC. Under the terms of this promissory note the Company has borrowed \$11,000.00 from Syndication Capital, LLC, which accrues interest at an annual rate of 8% with a April 1, 2014 maturity date. This note also contains customary events of default.

On October 31, 2013, the Company into a Convertible Promissory Note with our sole director and officer. Under the terms of the promissory note the Company has borrowed \$7,500.00 from our sole officer and director, which accrues interest at an annual rate of 8% with a maturity date of April 30, 2014. This note also contains customary events of default.

On November 1, 2013, the Company entered into a Convertible Promissory Note with Syndication Capital LLC. Under the terms of this promissory note the Company has borrowed \$176,000.00 from Syndication Capital, LLC, which accrues interest at an annual rate of 8% with a March 1, 2014 maturity date. This note also contains customary events of default.

On November 1, 2013, the Company entered into a Convertible Promissory Note with Syndication Capital LLC. Under the terms of this promissory note the Company has borrowed \$11,000.00 from Syndication Capital, LLC, which accrues interest at an annual rate of 8% with a May 1, 2014 maturity date. This note also contains customary events of default.

On November 30, 2013, the Company entered into a Convertible Promissory Note with our sole director and officer. Under the terms of the promissory note the Company has borrowed \$7,500.00 from our sole officer and director, which accrues interest at an annual rate of 8% with a maturity date of May 30, 2014. This note also contains customary events of default.

On December 1, 2013, the Company entered into a Convertible Promissory Note with Syndication Capital LLC. Under the terms of this promissory note the Company has borrowed \$11,000.00 from Syndication Capital, LLC, which accrues interest at an annual rate of 8% with a June 1, 2014 maturity date. This note also contains customary events of default.

On December 31, 2013, the Company entered into a Convertible Promissory Note with our sole director and officer. Under the terms of the promissory note the Company has borrowed \$7,500.00 from our sole officer and director, which accrues interest at an annual rate of 8% with a maturity date of June 30, 2014. This note also contains customary events of default.

On January 1, 2014, the Company entered into a Convertible Promissory Note with Syndication Capital LLC. Under the terms of this promissory note the Company has borrowed \$11,000.00 from Syndication Capital, LLC, which accrues interest at an annual rate of 8% with a July 1, 2014 maturity date. This note also contains customary events of default.

On January 31, 2014, the Company entered into a Convertible Promissory Note with our sole director and officer. Under the terms of the promissory note the Company has borrowed \$7,500.00 from our sole officer and director, which accrues interest at an annual rate of 8% with a maturity date of July 31, 2014. This note also contains customary events of default.

On February 1, 2014, the Company executed a Convertible Promissory Note with Syndication Capital, LLC. Under the terms of the note, the Company pays the holder a total of \$16,000, which accrues interest at an annual rate of 8% and has a maturity date of August 1, 2014. This note also contains customary events of default.

On February 28, 2014, the Company executed a Convertible Promissory Note with Dhugald Pinchin. Under the terms of the note, the Company pays the holder a total of \$7,500, which accrues interest at an annual rate of 8% and has a maturity date of August 28, 2014. This note also contains customary events of default.

On March 1, 2014, the Company executed a Convertible Promissory Note with Syndication Capital, LLC. Under the terms of the note, the Company pays the holder a total of \$16,000, which accrues interest at an annual rate of 8% and has a maturity date of September 1, 2014. This note also contains customary events of default.

On March 17, 2014, the Company executed a Convertible Promissory Note with LG Funding, LLC. Under the terms of the note, the Company pays the holder a total of \$44,978.26, which accrues interest at an annual rate of 8% and has a maturity date of March 17, 2015. This note also contains customary events of default.

On March 17, 2014, the Company executed a Convertible Promissory Note with LG Funding, LLC. Under the terms of the note, the Company pays the holder a total of \$26,500, which accrues interest at an annual rate of 8% and has a maturity date of March 17, 2015. This note also contains customary events of default.

On March 26, 2014, the Company executed a Convertible Promissory Note with GEL Properties, LLC. Under the terms of the note, the Company pays the holder a total of \$22,000, which accrues interest at an annual rate of 8% and has a maturity date of March 26, 2015. This note also contains customary events of default.

On March 31, 2014, the Company executed a Convertible Promissory Note with Dhugald Pinchin. Under the terms of the note, the Company pays the holder a total of \$7,500, which accrues interest at an annual rate of 8% and has a maturity date of September 30, 2014. This note also contains customary events of default.

On April 1, 2014, the Company executed a Convertible Promissory Note with Syndication Capital, LLC. Under the terms of the note, the Company pays the holder a total of \$16,000, which accrues interest at an annual rate of 8% and has a maturity date of October 1, 2014. This note also contains customary events of default.

On April 30, 2014, the Company executed a Convertible Promissory Note with Dhugald Pinchin. Under the terms of the note, the Company pays the holder a total of \$7,500, which accrues interest at an annual rate of 8% and has a maturity date of October 30, 2014. This note also contains customary events of default.

On May 1, 2014, the Company executed a Convertible Promissory Note with Syndication Capital, LLC. Under the terms of the note, the Company pays the holder a total of \$16,500, which accrues interest at an annual rate of 8% and has a maturity date of November 1, 2014. This note also contains customary events of default.

On May 19, 2014, the Company executed a Convertible Promissory Note with Gel Properties, LLC. Under the terms of the note, the Company pays the holder a total of \$55,000, which accrues interest at an annual rate of 8% and has a maturity date of May 19, 2015. This note also contains customary events of default.

On May 19, 2014, the Company executed a Convertible Promissory Note with Adar Bays, LLC. Under the terms of the note, the Company pays the holder a total of \$25,000, which accrues interest at an annual rate of 8% and has a maturity date of May 19, 2015. This note also contains customary events of default.

On June 1, 2014, the Company executed a Convertible Promissory Note with Syndication Capital, LLC. Under the terms of the note, the Company pays the holder a total of \$48,000, which accrues interest at an annual rate of 8% and has a maturity date of December 1, 2014. This note also contains customary events of default.

On June 6, 2014, the Company executed a Convertible Promissory Note with Union Capital, LLC. Under the terms of the note, the Company pays the holder a total of \$25,000, which accrues interest at an annual rate of 8% and has a maturity date of June 6, 2015. This note also contains customary events of default.

On June 6, 2014, the Company executed a Convertible Promissory Note with Union Capital, LLC. Under the terms of the note, the Company pays the holder a total of \$25,000, which accrues interest at an annual rate of 8% and has a maturity date of June 6, 2015. This note also contains customary events of default.

On July 2, 2014, the Company executed a Convertible Promissory Note with Union Capital, LLC. Under the terms of the note, the Company pays the holder a total of \$25,000, which accrues interest at an annual rate of 8% and has a maturity date of July 2, 2015. This note also contains customary events of default.

On July 2, 2014, the Company executed a Convertible Promissory Note with Union Capital, LLC. Under the terms of the note, the Company pays the holder a total of \$25,000, which accrues interest at an annual rate of 8% and has a maturity date of July 2, 2015. This note also contains customary events of default.

On July 9, 2014, the Company executed a Convertible Promissory Note with LG Capital Funding, LLC. Under the terms of the note, the Company pays the holder a total of \$75,000, which accrues interest at an annual rate of 8% and has a maturity date of July 9, 2015. This note also contains customary events of default.

On July 9, 2014, the Company executed a Convertible Promissory Note with LG Capital Funding, LLC. Under the terms of the note, the Company pays the holder a total of \$75,000,

which accrues interest at an annual rate of 8% and has a maturity date of July 9, 2015. This note also contains customary events of default.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

Identification of Directors and Executive Officers

The following table sets forth the names and ages of our current directors and executive officers:

Name	Age	Position with the Company	Director Since
Edward J. Aruda	55	President, Treasurer, Secretary, & Director	March 25, 2014

The Board of Directors has no nominating, audit or compensation committee at this time.

Term of Office

Each director is elected by the Board of Directors and serves until his or her successor is elected and qualified, unless he or she resigns or is removed earlier. Each of our officers is elected by the Board of Directors to a term of one (1) year and serves until his or her successor is duly elected and qualified, or until he or she is earlier removed from office or resigns.

Background and Business Experience

The business experience during the past five years of the person presently listed above as an Officer or Director of the Company is as follows:

Edward J. Aruda, age 55, is the founder, President and a Director of Santa Rosa Resources Inc., since its formation in 2007. He has much personal experience and leadership skills in the oil and gas industries, from the manufacturing of drilling equipment to the development of oil and gas properties. Mr. Aruda began his career in 1977 working for Smith Tool, a division of Smith International, and a major manufacturer of oil and gas well drilling bits. In 1990 Mr. Aruda became involved in the investment banking and financing of oil and gas programs. Mr. Aruda worked as a Registered Representative of the NASD and previously held series 22, 6 and 63 licenses. He has overseen the successful financing and development of numerous oil and gas properties throughout the southwest.

Identification of Significant Employees

We have no significant employees, other than Edward Aruda, our President, Chief Executive Officer, and Director.

Family Relationship

We currently do not have any officers or directors of our Company who are related to each other.

Involvement in Certain Legal Proceedings

During the past ten years no director, executive officer, promoter or control person of the Company has been involved in the following:

- (1) A petition under the Federal bankruptcy laws or any state insolvency law which was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
- (2)

- Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:
- i. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
 - ii. Engaging in any type of business practice; or
 - iii. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;
- (4) Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;
- (5) Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;
- (6) Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
- (7) Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
- i. Any Federal or State securities or commodities law or regulation; or
 - ii. Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
 - iii. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- (8) Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Audit Committee and Audit Committee Financial Expert

The Company does not have an audit committee or an audit committee financial expert (as defined in Item 407 of Regulation S-K) serving on its Board of Directors. All current members of the Board of Directors lack sufficient financial expertise for overseeing financial reporting responsibilities. The Company has not yet employed an audit committee financial expert on its Board due to the inability to attract such a person.

The Company intends to establish an audit committee of the Board of Directors, which will consist of independent directors. The audit committee's duties will be to recommend to the Company's Board of Directors the engagement of an independent registered public accounting firm to audit the Company's financial statements and to review the Company's accounting and auditing principles. The audit committee will review the scope, timing and fees for the annual audit and the results of audit examinations performed by the internal auditors and independent registered public accounting firm, including their recommendations to improve the system of accounting and internal controls. The audit committee will at all times be composed exclusively of directors who are, in the opinion of the Company's Board of Directors, free from any relationship which would interfere with the exercise of independent judgment as a committee member and who possess an understanding of financial statements and generally accepted accounting principles.

Code of Ethics

Our board of directors has not adopted a code of ethics due to the fact that we presently only have one director and we are in the exploration stage of our operations. We anticipate that we will adopt a code of ethics when we increase either the number of our directors and officers or the number of our employees.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who beneficially own more than ten percent of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of change in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us under Rule 16a-3(e) during the year ended July 31, 2014, Forms 5 and any amendments thereto furnished to us with respect to the year ended July 31, 2014, and the representations made by the reporting persons to us, we believe that during the year ended July 31, 2014, our executive officers and directors and all persons who own more than ten percent of a registered class of our equity securities complied with all Section 16(a) filing requirements.

ITEM 11. EXECUTIVE COMPENSATION

The table set forth below summarizes the annual and long-term compensation for services in all capacities to us payable to our officers and directors for the fiscal years ended July 31, 2014 and 2013. Our Board of Directors may adopt an incentive stock option plan for our executive officers that would result in additional compensation.

Summary Compensation Table

Name and Principal Position	Fiscal Year Ended 7/31	Salary (\$)	Bonus (\$)	Stock Option Awards		Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
				Awards (\$)	Awards (\$)				
Edward J. Aruda (1) President, CEO, CFO, Secretary, Treasurer and Director	2014	\$ -0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2013	\$ -0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Dhugald Pinchin Former President, CEO, CFO, Secretary, Treasurer and Director	2014	\$ 67,500	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2013	\$ 22,500-50,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Jon Fullenkamp Former President, CEO, CFO, Secretary, Treasurer and Director	2013	\$ -0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Loran Notar (2) Former President, CEO, CFO, Secretary, Treasurer and Director	2013	\$ 42,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-

- (1) The Company's officer and director currently devote approximately 30-40 hours per week to manage the affairs of the Company, including, but not limited to the upkeep of Source Gold Corp. and the research and development associated with expanding the Company to new markets. Mr. Aruda is the President, Secretary, Treasurer and a Director of the Company. (3)
- (2) Pursuant to the Corporate Management Services Agreement discussed in our 2011 Annual Report on Form 10K, our former sole officer and director, Lauren Notar, received a total of \$42,000 during the year ended July 31, 2014 and \$72,000 during the year ended July 31, 2013.

Narrative Disclosure to Summary Compensation Table

There are no compensatory plans or arrangements, including payments to be received from the Company with respect to any executive officer, that would result in payments to such person because of his or her resignation, retirement or other termination of employment with the Company, or its subsidiaries, any change in control, or a change in the person's responsibilities following a change in control of the Company.

Outstanding Equity Awards at Fiscal Year-End

No executive officer received any equity awards, or holds exercisable or unexercisable options, as of the year ended July 31, 2014.

Long-Term Incentive Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers.

Compensation Committee

We currently do not have a compensation committee of the Board of Directors. The Board of Directors as a whole determines executive compensation.

Compensation of Directors

Our directors receive no extra compensation for their service on our Board of Directors.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership of Management

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of October 16, 2014, by: (i) each of our directors; (ii) each of our named executive officers; and (iii) each person or group known by us to beneficially own more than 5% of our outstanding shares of common stock. Unless otherwise indicated, the shareholders listed below possess sole voting and investment power with respect to the shares they own.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership (1)	Percent of Class (2)
		(#)	(%)
Edward J. Aruda 200 S. Virginia Street Reno, NV 89501	Common	-0-	0%
All Officers and Directors as a Group	Common	-0-	0%
5% Shareholders	Common	-0-	0%

- (1) The number and percentage of shares beneficially owned is determined under rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares, which the individual has the right to acquire within 60 days through the exercise of any stock option or other right. The persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the footnotes to this table.

- (2) Based on 3,046,433,130 issued and outstanding shares of common stock as of October 16, 2014.

Changes in Control

There are no present arrangements or pledges of the Company's securities which may result in a change in control of the Company.

ITEM 13.CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Related Party Transactions

None of the directors or executive officers of the Company, nor any person who owned of record or was known to own beneficially more than 5% of the Company's outstanding shares of its Common Stock, nor any associate or affiliate of such persons or companies, has any material interest, direct or indirect, in any transaction that has occurred during the past fiscal year, or in any proposed transaction, which has materially affected or will affect the Company.

With regard to any future related party transaction, we plan to fully disclose any and all related party transactions in the following manner:

- Disclosing such transactions in reports where required;
- Disclosing in any and all filings with the SEC, where required;
- Obtaining disinterested directors consent; and
- Obtaining shareholder consent where required.

Director Independence

For purposes of determining director independence, we have applied the definitions set out in NASDAQ Rule 5605(a)(2). The OTCBB on which shares of Common Stock are quoted does not have any director independence requirements. The NASDAQ definition of "Independent Officer" means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

According to the NASDAQ definition, Edward Aruda is not an independent director because he is also an executive officer of the Company.

Review, Approval or Ratification of Transactions with Related Persons

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

	Year Ended July 31, 2014	Year Ended July 31, 2013
Audit fees	\$ 18,175	\$ 35,504
Audit-related fees	\$	\$
Tax fees	\$	\$
All other fees	\$	\$
Total	\$ 18,175	\$ 35,504

Audit Fees

During the fiscal years ended July 31, 2014, we incurred approximately \$18,175 in fees to our principal independent accountants for professional services rendered in connection with the audit and reviews of our financial statements for fiscal years ended July 31, 2014.

During the fiscal year ended July 31, 2013, we incurred approximately \$35,504 in fees to our principal independent accountants for professional services rendered in connection with the audit and reviews of our financial statements for fiscal year ended July 31, 2013.

Audit-Related Fees

The aggregate fees billed during the fiscal years ended July 31, 2014 and 2013 for assurance and related services by our principal independent accountants that are reasonably related to the performance of the audit or review of our financial statements (and are not reported under Item 9(e)(1) of Schedule 14A) was \$0 and \$0, respectively.

Tax Fees

The aggregate fees billed during the fiscal years ended July 31, 2014 and 2013 for professional services rendered by our principal accountant tax compliance, tax advice and tax planning were \$0 and \$0, respectively.

All Other Fees

The aggregate fees billed during the fiscal years ended July 31, 2014 and 2013 for products and services provided by our principal independent accountants (other than the services reported in Items 9(e)(1) through 9(e)(3) of Schedule 14A) was \$0 and \$0, respectively.

PART IV

ITEM 15. EXHIBITS.

(a) Exhibits

Exhibit Number	Description of Exhibit	Filing
3.1	Articles of Incorporation	Filed with the SEC on October 7, 2008 as part of our Registration of Securities on Form S-1.
3.2	Bylaws	Filed with the SEC on October 7, 2008 as part of our Registration of Securities on Form S-1.
3.3	Extension of Option Agreement.	Filed with the SEC on November 15, 2011, as part of our Annual Report on Form 10-K.
3.4	Resolution Increasing Management Compensation Agreement.	Filed with the SEC on November 15, 2011, as part of our Annual Report on Form 10-K.
10.1	Mineral Property Option Agreement, by and between the Company and Thunder Bay Minerals, Inc., dated October 26, 2009.	Filed with the SEC on October 28, 2009, as part of our Current Report on Form 8-K.
10.2	Purchase Agreement between the Company and John Sadowski, President of North Star Prospecting, Inc., dated	Filed with the SEC on May 10, 2010, as part of our Current Report on Form 8-K.

	May 4, 2010.	
10.3	Purchase Agreement between the Company and Lauren Notar, dated July 30, 2010.	Filed with the SEC on August 4, 2010, as part of our Current Report on Form 8-K.
10.4	Purchase Agreement between the Company and Vulture Gold, LLC, dated August 7, 2010.	Filed with the SEC on August 12, 2010, as part of our Current Report on Form 8-K.
10.5	Promissory Note by and between the Company and Asher Enterprises, Inc., dated January 23, 2012.	Filed with the SEC on March 15, 2012 as part of our Quarterly Report on Form 10-Q.
10.6	Promissory Note by and between the Company and Greenshoe Investments, dated March 19, 2012.	Filed with the SEC on June 14, 2012 as part of our Quarterly Report on Form 10-Q.
10.7	Property Option Agreement, dated March 28, 2012.	Filed with the SEC on June 14, 2012 as part of our Quarterly Report on Form 10-Q.
10.8	Promissory Note by and between the Company and Asher Enterprises, Inc., dated May 14, 2012.	Filed with the SEC on June 14, 2012 as part of our Quarterly Report on Form 10-Q.
10.9	Promissory Note by and between the Company and Asher Enterprises, Inc., dated October 5, 2012	Filed with the SEC on November 7, 2012 as part of our Annual Report on Form 10-K.
10.10	Promissory Note by and between the Company and Syndication Capital, LLC, dated May 1, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.11	Employment Agreement by and between the Company and Dhugald Pinchin, dated May 15, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.12	Promissory Note by and between the Company and Dhugald Pinchin, dated May 31, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.13	Promissory Note by and between the Company and Syndication Capital, LLC, dated June 1, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.14	Promissory Note by and between the Company and Dhugald Pinchin, dated June 30, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.15	Promissory Note by and between the Company and Syndication Capital, LLC, dated July 1, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.16	Promissory Note by and between the Company and Dhugald Pinchin, dated July 31, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.17	Promissory Note by and between the Company and Syndication Capital, LLC., dated August 1, 2013	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.18	Promissory Note by and between the Company and Dhugald Pinchin, dated August 31, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.19	Promissory Note by and between the Company and Syndication Capital, LLC, dated September 1, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.20	Promissory Note by and between the Company and Dhugald Pinchin, dated September 30, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.21	Promissory Note by and between the Company and Syndication Capital, LLC, dated October 1, 2013.	Filed with the SEC on December 4, 2013, as part of our Annual Report on Form 10-K.
10.22	Promissory Note by and between the Company and Dhugald Pinchin, dated October 31, 2013.	Filed with the SEC on December 18, 2013 as part of our Quarterly Report on Form 10-Q.
10.23	Promissory Note by and between the Company and Syndication Capital, LLC, dated November 1, 2013.	Filed with the SEC on March 24, 2014 as part of our Quarterly Report on Form 10-Q.
10.24	Promissory Note by and between the Company and Syndication Capital, LLC, dated November 1, 2013.	Filed with the SEC on March 24, 2014 as part of our Quarterly Report on Form 10-Q.
10.25	Promissory Note by and between the Company and Dhugald Pinchin, dated November 30, 2013.	Filed with the SEC on March 24, 2014 as part of our Quarterly Report on Form 10-Q.
10.26	Promissory Note by and between the Company and Syndication Capital, LLC, dated December 1, 2013.	Filed with the SEC on March 24, 2014 as part of our Quarterly Report on Form 10-Q.

10.27	Promissory Note by and between the Company and Asher Enterprises Inc., dated December 13, 2013.	Filed with the SEC on March 24, 2014 as part of our Quarterly Report on Form 10-Q.
10.28	Promissory Note by and between the Company and Dhugald Pinchin, dated December 31, 2013.	Filed with the SEC on March 24, 2014 as part of our Quarterly Report on Form 10-Q.
10.29	Promissory Note by and between the Company and Syndication Capital, LLC, dated January 1, 2014	Filed with the SEC on March 24, 2014 as part of our Quarterly Report on Form 10-Q.
10.30	Promissory Note by and between the Company and Dhugald Pinchin, dated January 31, 2013.	Filed with the SEC on March 24, 2014 as part of our Quarterly Report on Form 10-Q.
10.31	Promissory Note by and between the Company and Syndication Capital, LLC, dated February 1, 2014	Filed with the SEC on June 16, 2014, as part of our Quarterly Report on Form 10Q.
10.32	Promissory Note by and between the Company and Dhugald Pinchin, dated February, 28, 2014.	Filed with the SEC on June 16, 2014, as part of our Quarterly Report on Form 10Q.
10.33	Promissory Note, by and between the Company and Syndication Capital, LLC, date March 1, 2014.	Filed with the SEC on June 16, 2014, as part of our Quarterly Report on Form 10Q.
10.34	Promissory Note, by and between the Company and LG Capital Funding, LLC, dated March 17, 2014.	Filed with the SEC on June 16, 2014, as part of our Quarterly Report on Form 10Q.
10.35	Promissory Note, by and between the Company and LG Capital Funding, LLC, dated March 17, 2014.	Filed with the SEC on June 16, 2014, as part of our Quarterly Report on Form 10Q.
10.36	Promissory Note, by and between the Company and Gel Properties, LLC, dated March 26, 2014.	Filed with the SEC on June 16, 2014, as part of our Quarterly Report on Form 10Q.
10.37	Promissory Note by and between the Company and Dhugald Pinchin, dated March 31, 2014.	Filed with the SEC on June 16, 2014, as part of our Quarterly Report on Form 10Q.
10.38	Promissory Note by and between the Company and Syndication Capital, LLC, dated April 1, 2014.	Filed with the SEC on June 16, 2014, as part of our Quarterly Report on Form 10Q.
10.39	Promissory Note by and between the Company and Dhugald Pinchin, dated April 30, 2014.	Filed with the SEC on June 16, 2014, as part of our Quarterly Report on Form 10Q.
10.40	Promissory Note by and between the Company and Syndication Capital, LLC, dated May 1, 2014.	Filed herewith.
10.41	Promissory Note, by and between the Company and Gel Properties, LLC, dated May 19, 2014.	Filed herewith.
10.42	Promissory Note by and between the Company and Adar Bays, LLC, dated May 19, 2014.	Filed herewith.
10.43	Promissory Note by and between the Company and Syndication Capital, LLC, dated June 1, 2014.	Filed herewith.
10.44	Promissory Note, by and between the Company and Union Capital, LLC, dated June 6, 2014.	Filed herewith.
10.45	Promissory Note by and between the Company and Union Capital, LLC, dated June 6, 2014.	Filed herewith.
10.46	Promissory Note by and between the Company and Union Capital, LLC, dated July 2, 2014.	Filed herewith.
10.47	Promissory Note by and between the Company and Union Capital, LLC, dated July 2, 2014.	Filed herewith.
10.48	Promissory Note, by and between the Company and LG Capital Funding, LLC, dated July 9, 2014.	Filed herewith.
10.49	Promissory Note by and between the Company and LG Capital Funding, LLC, dated July 9, 2014.	Filed herewith.
32.01	Certification of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act	Filed herewith.
101.INS*	XBRL Instance Document	Furnished herewith.
101.SCH*	XBRL Taxonomy Extension Schema Document	Furnished herewith.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document	Furnished herewith.
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document	Furnished herewith.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document	Furnished herewith.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document	Furnished herewith.

*Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOURCE GOLD CORP.

Dated: November 12, 2014

/s/ Edward Aruda

By: Edward Aruda

Its: President, Principal Executive Officer &
Principal Financial Officer (Principal Accounting
Officer)

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

Dated: November 12, 2014

/s/ Edward Aruda

Edward Aruda – Director

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount: \$16,500.00
Debt Settlement Price: \$16,500.00

Issue Date: May 1, 2014

CONVERTIBLE PROMISSORY NOTE

Source Gold Corp., a Nevada corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of Syndication Capital LLC, a Nevada corporation, or registered assigns (the "Holder") the sum of \$16,500.00 together with any interest as set forth herein, on November 1, 2014 (the "Maturity Date"), and to pay interest on the unpaid principal balance hereof at the rate of eight percent (8%) (the "Interest Rate") per annum from the date hereof (the "Issue Date") until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note, which is not paid when due shall bear interest at the rate of twenty two percent (22%) per annum from the due date thereof until the same is paid ("Default Interest"). Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. All payments due hereunder (to the extent not converted into Common free trading stock, \$0.001 par value per share (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of Las Vegas, Nevada are authorized or required by law or executive order to remain closed. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Debt Settlement Agreement dated the date hereof, pursuant to which this Note was originally issued (the "Debt Settlement Agreement").

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following terms shall apply to this Note:

ARTICLE I. CONVERSION RIGHTS

1.1 Conversion Right. The Holder shall have the right from time to time, and at any time during the period beginning on the date, which is one hundred eighty (180) days, following the dates listed on the note. The Maturity Dates for the Invoice is November 1, 2014 (i) the Maturity Date and (ii) the date of payment of the Default Amount (as defined in Article III) pursuant to Section 1.6(a) or Article III, each in respect of the remaining outstanding principal amount of this Note to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock.

For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso, provided, further, however, that the limitations on conversion may be waived by the Holder upon, at the election of the Holder, not less than 61 days' prior notice to the Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by the Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., Las Vegas, Nevada time on such conversion date (the "Conversion Date").

The term “Conversion Amount” means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Borrower’s option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Borrower’s option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder’s option, any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof.

1.2 Conversion Price.

(a) Calculation of Conversion Price. The conversion price (the “Conversion Price”) shall equal the Variable Conversion Price (as defined herein) (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower’s securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The “Conversion Price” shall mean par .001 multiplied by the number of Common Stock converted at the time.

(b) Conversion Price During Major Announcements. Notwithstanding anything contained in Section 1.2(a) to the contrary, in the event the Borrower (i) makes a public announcement that it intends to consolidate or merge with any other corporation (other than a merger in which the Borrower is the surviving or continuing corporation and its capital stock is unchanged) or sell or transfer all or substantially all of the assets of the Borrower or (ii) any person, group or entity (including the Borrower) publicly announces a tender offer to Purchase 50% or more of the Borrower’s Common Stock (or any other takeover scheme) (the date of the announcement referred to in clause (i) or (ii) is hereinafter referred to as the “Announcement Date”), then the Conversion Price shall, effective upon the Announcement Date and continuing through the Adjusted Conversion Price Termination Date (as defined below), be equal to the lower of (x) the Conversion Price which would have been applicable for a Conversion occurring on the Announcement Date and (y) the Conversion Price that would otherwise be in effect. From and after the Adjusted Conversion Price Termination Date, the Conversion Price shall be determined as set forth in this Section 1.2(a). For purposes hereof, “Adjusted Conversion Price Termination Date” shall mean, with respect to any proposed transaction or tender offer (or takeover scheme) for which a public announcement as contemplated by this Section 1.2(b) has been made, the date upon which the Borrower (in the case of clause (i) above) or the person, group or entity (in the case of clause (ii) above) consummates or publicly announces the termination or abandonment of the proposed transaction or tender offer (or takeover scheme) which caused this Section 1.2(b) to become operative.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Debt Settlement Agreement.

The Borrower is required at all times to have authorized and reserved two times the number of shares that is actually issuable upon full conversion of the Note (based on the Conversion Price of the Notes in effect from time to time)(the “Reserved Amount”).

The Reserved Amount shall be increased from time to time in accordance with the Borrower's obligations pursuant to Section 4(g) of the Debt Settlement Agreement. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Notes. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

1.4 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, prima facie, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following

conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder's account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

(d) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within three (3) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Debt Settlement Agreement.

(e) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 6:00 p.m., Las Vegas, Nevada time, on such date.

(f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

(g) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (other than a failure due to the circumstances described in Section 1.3 above, which failure shall be governed by such Section) the Borrower shall pay to the Holder \$2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.4(g) are justified.

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) ("Rule 144") or (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Debt Settlement Agreement). Except as otherwise provided in the Debt Settlement Agreement (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

"NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE

PLEGGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER
LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Company so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.6 Effect of Certain Events.

(a) Effect of Merger, Consolidation, Etc. At the option of the Holder, the sale, conveyance or disposition of all or substantially all of the assets of the Borrower, the effectuation by the Borrower of a transaction or series of related transactions in which more than 50% of the voting power of the Borrower is disposed of, or the consolidation, merger or other business combination of the Borrower with or into any other Person (as defined below) or Persons when the Borrower is not the survivor shall either: (i) be deemed to be an Event of Default (as defined in Article III) pursuant to which the Borrower shall be required to pay to the Holder upon the consummation of and as a condition to such transaction an amount equal to the Default Amount (as defined in Article III) or (ii) be treated pursuant to Section 1.6(b) hereof. “Person” shall mean any individual, corporation, limited liability company, partnership, association, trust or other entity or organization.

(b) Adjustment Due to Merger, Consolidation, Etc. If, at any time when this Note is issued and outstanding and prior to conversion of all of the Notes, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter

deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, thirty (30) days prior written notice (but in any event at least fifteen (15) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Section 1.6(b). The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

(c) Adjustment Due to Distribution. If the Borrower shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a dividend, stock repurchase, by way of return of capital or otherwise (including any dividend or distribution to the Borrower's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e., a spin-off)) (a "Distribution"), then the Holder of this Note shall be entitled, upon any conversion of this Note after the date of record for determining shareholders entitled to such Distribution, to receive the amount of such assets which would have been payable to the Holder with respect to the shares of Common Stock issuable upon such conversion had such Holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution.

(d) Adjustment Due to Dilutive Issuance. If, at any time when any Notes are issued and outstanding, the Borrower issues or sells, or in accordance with this Section 1.6(d) hereof is deemed to have issued or sold, any shares of Common Stock for no consideration or for a consideration per share (before deduction of reasonable expenses or commissions or underwriting discounts or allowances in connection therewith) less than the Conversion Price in effect on the date of such issuance (or deemed issuance) of such shares of Common Stock (a "Dilutive Issuance"), then immediately upon the Dilutive Issuance, the Conversion Price will be reduced to the amount of the consideration per share received by the Borrower in such Dilutive Issuance.

The Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or grants any warrants, rights or options (not including employee stock option plans), whether or not immediately exercisable, to subscribe for or to purchase Common Stock or other securities convertible into or exchangeable for Common Stock ("Convertible Securities") (such warrants, rights and options to Purchase Common Stock or Convertible Securities are hereinafter referred to as "Options") and the price per share for which Common Stock is issuable upon the exercise of such Options is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For purposes of the preceding sentence, the "price per share for which Common Stock is issuable upon the exercise of such Options" is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or granting of all such Options, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the exercise of all such Options, plus, in the case of Convertible Securities issuable upon the exercise of such Options, the minimum aggregate amount of additional consideration payable upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the exercise of all such Options (assuming full conversion of

Convertible Securities, if applicable). No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon the exercise of such Options or upon the conversion or exchange of Convertible Securities issuable upon exercise of such Options.

Additionally, the Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or sells any Convertible Securities, whether or not immediately convertible (other than where the same are issuable upon the exercise of Options), and the price per share for which Common Stock is issuable upon such conversion or exchange is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For the purposes of the preceding sentence, the “price per share for which Common Stock is issuable upon such conversion or exchange” is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or sale of all such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities.

(e) Share Purchase Rights. If, at any time when any Notes are issued and outstanding, the Borrower issues any convertible securities or rights to Common stock, warrants, securities or other property (the “Purchase Rights”) pro rata to the record holders of any class of Common Stock, then the Holder of this Note will be entitled to acquire, upon the terms applicable to such Share Purchase Rights, the aggregate Share Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without regard to any limitations on conversion contained herein) immediately before the date on which a record is taken for the grant, issuance or sale of such Debt Settlement Rights or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Debt Settlement Rights.

(f) Notice of Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price as a result of the events described in this Section 1.6, the Borrower, at its expense, shall promptly compute such adjustment or readjustment and prepare and furnish to the Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Borrower shall, upon the written request at any time of the Holder, furnish to such Holder a like certificate setting forth (i) such adjustment or readjustment, (ii) the Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon conversion of the Note.

1.7 Trading Market Limitations. Unless permitted by the applicable rules and regulations of the principal securities market on which the Common Stock is then listed or traded, in no event shall the Borrower issue upon conversion of or otherwise pursuant to this Note and the other Notes issued pursuant to the Debt Settlement Agreement more than the maximum number of shares of Common Stock that the Borrower can issue pursuant to any rule of the principal United States securities market on which the Common Stock is then traded (the “Maximum Share Amount”), which shall be 4.99% of the total shares outstanding on the Closing Date (as defined in the Debt Settlement Agreement), subject to equitable adjustment from time to time

for stock splits, stock dividends, combinations, capital reorganizations and similar events relating to the Common Stock occurring after the date hereof. Once the Maximum Share Amount has been issued, if the Borrower fails to eliminate any prohibitions under applicable law or the rules or regulations of any stock exchange, interdealer quotation system or other self-regulatory organization with jurisdiction over the Borrower or any of its securities on the Borrower's ability to issue shares of Common Stock in excess of the Maximum Share Amount, in lieu of any further right to convert this Note, this will be considered an Event of Default under Section 3.3 of the Note.

1.8 Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder's allocated portion of the Reserved Amount or Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if the Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies (including, without limitation, (i) the right to receive Conversion Default Payments pursuant to Section 1.3 to the extent required thereby for such Conversion Default and any subsequent Conversion Default and (ii) the right to have the Conversion Price with respect to subsequent conversions determined in accordance with Section 1.3) for the Borrower's failure to convert this Note.

1.9 Prepayment. Notwithstanding anything to the contrary contained in this Note, at any time during the period beginning on the Issue Date and ending on the date which is ninety (90) days following the issue date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any notice of prepayment hereunder (an "Optional Prepayment Notice") shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the date fixed for prepayment (the "Optional Prepayment Date"), the Borrower shall make payment of the Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Optional Prepayment Amount") equal to 140%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Optional Prepayment

Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

Notwithstanding anything to the contrary contained in this Note, at any time during the period beginning on the date of the invoices listed on Exhibit B, which is ninety-one (91) days following the issue date and ending on the date of the invoices listed on Exhibit B, which is one hundred fifty (150) days following the issue date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any Optional Prepayment Notice shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice.

On the Optional Prepayment Date, the Borrower shall make payment of the Second Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Second Optional Prepayment Amount") equal to 145%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Second Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

Notwithstanding anything to the contrary contained in this Note, at any time during the period beginning on the date of the invoices listed on Exhibit B, which is one hundred fifty-one (151) days following the issue date and ending on the date which is one hundred eighty (180) days following the issue date of the invoices listed on Exhibit B, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any Optional Prepayment Notice shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the Optional Prepayment Date, the Borrower shall make payment of the Third Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Third Optional Prepayment Amount") equal to 150%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Third Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

After the expiration of one hundred eighty (180) following the date of the Note, the Borrower shall have no right of prepayment.

ARTICLE II. CERTAIN COVENANTS

2.1 Distributions on Capital Stock. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

2.2 Restriction on Stock Repurchase. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares.

2.3 Borrowings. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, create, incur, assume guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, firm, partnership, joint venture or corporation, except by the endorsement of negotiable instruments for deposit or collection, or suffer to exist any liability for borrowed money, except (a) borrowings in existence or committed on the date hereof and of which the Borrower has informed Holder in writing prior to the date hereof, (b) indebtedness to trade creditors or financial institutions incurred in the ordinary course of business or (c) borrowings, the proceeds of which shall be used to repay this Note.

2.4 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

2.5 Advances and Loans. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, lend money, give credit or make advances to any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, subsidiaries and affiliates of the Borrower, except loans, credits or advances (a) in existence or committed on the date hereof and which the Borrower has informed Holder in writing prior to the date hereof, (b) made in the ordinary course of business or (c) not in excess of \$500,000.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise.

3.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for three (3) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by the Borrower to the Holder within forty eight (48) hours of a demand from the Holder.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Debt Settlement Agreement and such breach continues for a period of ten (10) days after written notice thereof to the Borrower from the Holder.

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Debt Settlement Agreement), shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note or the Debt Settlement Agreement.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than \$50,000, and shall remain unvacated, unbonded or unstayed for a period of

twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

3.8 Delisting of Stock. The Borrower shall fail to maintain the listing of the Stock on at least one of the OTCBB or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange.

3.9 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.11 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

3.12 Maintenance of Assets. The failure by Borrower to maintain any material intellectual property rights, personal, real property or other assets, which are necessary to conduct its business (whether now or in the future).

3.13 Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Debt Settlement Agreement.

3.14 Reverse Splits. The Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to the Holder.

3.15 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Debt Settlement Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

3.16 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the Other Agreements, after the passage of all applicable notice and cure or grace periods, shall, at the option of the Holder, be considered a default under this Note and the Other Agreements, in which event the Holder shall be entitled (but in no event required) to apply all rights and remedies of the Holder under the terms of this Note and the Other Agreements by reason of a default under said Other Agreement or hereunder. "Other Agreements" means, collectively, all agreements and instruments between, among or by: (1) the Borrower, and, or for the benefit of, (2) the Holder and any affiliate of the Holder, including, without limitation, promissory notes; provided, however, the term "Other Agreements" shall not include the related or companion documents to this Note. Each of the loan transactions will be cross-defaulted with each other loan transaction and with all other existing and future debt of Borrower to the Holder.

Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Sum (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT SUM (AS DEFINED HEREIN); MULTIPLIED BY (Z) TWO (2). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due on this Note upon a Trading Market Prepayment Event pursuant to Section 1.7 or upon acceleration), 3.3, 3.4, 3.6, 3.8, 3.9, 3.11, 3.12, 3.13, 3.14, and/or 3.15 exercisable through the delivery of written notice to the Borrower by such Holders (the "Default Notice"), and upon the occurrence of an Event of Default specified the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3.1 hereof), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment (the "Mandatory Prepayment Date") plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the "Default Sum") or (ii) the "parity value" of the Default Sum to be prepaid, where parity value means (a) the highest number of shares of Common Stock issuable upon conversion of or otherwise pursuant to such Default Sum in accordance with Article I, treating the Trading Day immediately preceding the Mandatory Prepayment Date as the "Conversion Date" for purposes of determining the lowest applicable Conversion Price, unless the Default Event arises as a result of a breach in respect of a specific Conversion Date in which case such Conversion Date shall be the Conversion Date), multiplied by (b) the highest Closing Price for the Common Stock during the period beginning on the date of first occurrence of the Event of Default and ending one day prior to the Mandatory Prepayment Date (the "Default Amount") and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs,

including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require the Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:
Source Gold Corp.
1155 Camino Del Mar #162
Del Mar, California 92014

If to the Holder:

Syndication Capital LLC
1401 Camino Del Mar #202
Del Mar, California 92014

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Notes issued pursuant to the Debt Settlement Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an "accredited investor" (as defined in Rule 501(a) of the 1933 Act). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of Nevada or in the federal courts located in the state and county of Clark. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law.

Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Debt Settlement Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Debt Settlement Agreement.

4.9 Notice of Corporate Events. Except as otherwise provided below, the Holder of this Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Note into Common Stock. The Borrower shall provide the Holder with prior notification of any meeting of the Borrower's shareholders (and copies of proxy materials and other information sent to shareholders). In the event of any taking by the Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for, purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any proposed sale, lease or conveyance of all or substantially all of the assets of the Borrower or any proposed liquidation, dissolution or winding up of the Borrower, the Borrower shall mail a notice to the Holder, at least twenty (20) days prior to the record date specified therein (or thirty (30) days prior to the consummation of the transaction or event, whichever is earlier), of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time. The Borrower shall make a public announcement of any event requiring notification to the Holder hereunder substantially simultaneously with the notification to the Holder in accordance with the terms of this Section 4.9.

4.10 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this date May 1, 2014

Source Gold Corp.

Signed: __Dugald Pinchin_____

EXHIBIT A
NOTICE OF CONVERSION

The undersigned hereby elects to convert \$ _____ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of Source Gold Corp., a Nevada corporation (the "Borrower") according to the conditions of the convertible note of the Borrower dated as of May 1, 2014 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

- The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

- The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Syndication Capital LLC
Del Mar, CA 92014
Attention: Certificate Delivery

Date of Conversion: _____
Applicable Conversion Price: \$.001
Number of Shares of Common Stock to be Issued
Pursuant to Conversion of the Notes: _____
Amount of Principal Balance Due remaining
Under the Note after this conversion: _____

By: _____
Title: President.
Date: _____

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount: \$48,000.00
Debt Settlement Price: \$48,000.00

Issue Date: June 1, 2014

CONVERTIBLE PROMISSORY NOTE

Source Gold Corp., a Nevada corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of Syndication Capital LLC, a Nevada corporation, or registered assigns (the "Holder") the sum of \$48,000.00 together with any interest as set forth herein, on December 1, 2014 (the "Maturity Date"), and to pay interest on the unpaid principal balance hereof at the rate of eight percent (8%) (the "Interest Rate") per annum from the date hereof (the "Issue Date") until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note, which is not paid when due shall bear interest at the rate of twenty two percent (22%) per annum from the due date thereof until the same is paid ("Default Interest"). Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. All payments due hereunder (to the extent not converted into Common free trading stock, \$0.001 par value per share (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of Las Vegas, Nevada are authorized or required by law or executive order to remain closed. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Debt Settlement Agreement dated the date hereof, pursuant to which this Note was originally issued (the "Debt Settlement Agreement").

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following terms shall apply to this Note:

ARTICLE I. CONVERSION RIGHTS

1.1 Conversion Right. The Holder shall have the right from time to time, and at any time during the period beginning on the date, which is one hundred eighty (180) days, following the dates listed on the note. The Maturity Dates for the Invoice is December 1, 2014 (i) the Maturity Date and (ii) the date of payment of the Default Amount (as defined in Article III) pursuant to Section 1.6(a) or Article III, each in respect of the remaining outstanding principal amount of this Note to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock.

For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso, provided, further, however, that the limitations on conversion may be waived by the Holder upon, at the election of the Holder, not less than 61 days' prior notice to the Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by the Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., Las Vegas, Nevada time on such conversion date (the "Conversion Date").

The term “Conversion Amount” means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Borrower’s option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Borrower’s option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder’s option, any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof.

1.2 Conversion Price.

(a) Calculation of Conversion Price. The conversion price (the “Conversion Price”) shall equal the Variable Conversion Price (as defined herein) (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower’s securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The “Conversion Price” shall mean par .001 multiplied by the number of Common Stock converted at the time.

(b) Conversion Price During Major Announcements. Notwithstanding anything contained in Section 1.2(a) to the contrary, in the event the Borrower (i) makes a public announcement that it intends to consolidate or merge with any other corporation (other than a merger in which the Borrower is the surviving or continuing corporation and its capital stock is unchanged) or sell or transfer all or substantially all of the assets of the Borrower or (ii) any person, group or entity (including the Borrower) publicly announces a tender offer to Purchase 50% or more of the Borrower’s Common Stock (or any other takeover scheme) (the date of the announcement referred to in clause (i) or (ii) is hereinafter referred to as the “Announcement Date”), then the Conversion Price shall, effective upon the Announcement Date and continuing through the Adjusted Conversion Price Termination Date (as defined below), be equal to the lower of (x) the Conversion Price which would have been applicable for a Conversion occurring on the Announcement Date and (y) the Conversion Price that would otherwise be in effect. From and after the Adjusted Conversion Price Termination Date, the Conversion Price shall be determined as set forth in this Section 1.2(a). For purposes hereof, “Adjusted Conversion Price Termination Date” shall mean, with respect to any proposed transaction or tender offer (or takeover scheme) for which a public announcement as contemplated by this Section 1.2(b) has been made, the date upon which the Borrower (in the case of clause (i) above) or the person, group or entity (in the case of clause (ii) above) consummates or publicly announces the termination or abandonment of the proposed transaction or tender offer (or takeover scheme) which caused this Section 1.2(b) to become operative.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Debt Settlement Agreement.

The Borrower is required at all times to have authorized and reserved two times the number of shares that is actually issuable upon full conversion of the Note (based on the Conversion Price of the Notes in effect from time to time)(the “Reserved Amount”).

The Reserved Amount shall be increased from time to time in accordance with the Borrower's obligations pursuant to Section 4(g) of the Debt Settlement Agreement. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Notes. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

1.4 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, prima facie, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following

conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder's account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

(d) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within three (3) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Debt Settlement Agreement.

(e) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 6:00 p.m., Las Vegas, Nevada time, on such date.

(f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

(g) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (other than a failure due to the circumstances described in Section 1.3 above, which failure shall be governed by such Section) the Borrower shall pay to the Holder \$2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.4(g) are justified.

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) ("Rule 144") or (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Debt Settlement Agreement). Except as otherwise provided in the Debt Settlement Agreement (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

"NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE

PLEGGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER
LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Company so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.6 Effect of Certain Events.

(a) Effect of Merger, Consolidation, Etc. At the option of the Holder, the sale, conveyance or disposition of all or substantially all of the assets of the Borrower, the effectuation by the Borrower of a transaction or series of related transactions in which more than 50% of the voting power of the Borrower is disposed of, or the consolidation, merger or other business combination of the Borrower with or into any other Person (as defined below) or Persons when the Borrower is not the survivor shall either: (i) be deemed to be an Event of Default (as defined in Article III) pursuant to which the Borrower shall be required to pay to the Holder upon the consummation of and as a condition to such transaction an amount equal to the Default Amount (as defined in Article III) or (ii) be treated pursuant to Section 1.6(b) hereof. “Person” shall mean any individual, corporation, limited liability company, partnership, association, trust or other entity or organization.

(b) Adjustment Due to Merger, Consolidation, Etc. If, at any time when this Note is issued and outstanding and prior to conversion of all of the Notes, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter

deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, thirty (30) days prior written notice (but in any event at least fifteen (15) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Section 1.6(b). The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

(c) Adjustment Due to Distribution. If the Borrower shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a dividend, stock repurchase, by way of return of capital or otherwise (including any dividend or distribution to the Borrower's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e., a spin-off)) (a "Distribution"), then the Holder of this Note shall be entitled, upon any conversion of this Note after the date of record for determining shareholders entitled to such Distribution, to receive the amount of such assets which would have been payable to the Holder with respect to the shares of Common Stock issuable upon such conversion had such Holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution.

(d) Adjustment Due to Dilutive Issuance. If, at any time when any Notes are issued and outstanding, the Borrower issues or sells, or in accordance with this Section 1.6(d) hereof is deemed to have issued or sold, any shares of Common Stock for no consideration or for a consideration per share (before deduction of reasonable expenses or commissions or underwriting discounts or allowances in connection therewith) less than the Conversion Price in effect on the date of such issuance (or deemed issuance) of such shares of Common Stock (a "Dilutive Issuance"), then immediately upon the Dilutive Issuance, the Conversion Price will be reduced to the amount of the consideration per share received by the Borrower in such Dilutive Issuance.

The Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or grants any warrants, rights or options (not including employee stock option plans), whether or not immediately exercisable, to subscribe for or to purchase Common Stock or other securities convertible into or exchangeable for Common Stock ("Convertible Securities") (such warrants, rights and options to Purchase Common Stock or Convertible Securities are hereinafter referred to as "Options") and the price per share for which Common Stock is issuable upon the exercise of such Options is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For purposes of the preceding sentence, the "price per share for which Common Stock is issuable upon the exercise of such Options" is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or granting of all such Options, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the exercise of all such Options, plus, in the case of Convertible Securities issuable upon the exercise of such Options, the minimum aggregate amount of additional consideration payable upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the exercise of all such Options (assuming full conversion of

Convertible Securities, if applicable). No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon the exercise of such Options or upon the conversion or exchange of Convertible Securities issuable upon exercise of such Options.

Additionally, the Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or sells any Convertible Securities, whether or not immediately convertible (other than where the same are issuable upon the exercise of Options), and the price per share for which Common Stock is issuable upon such conversion or exchange is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For the purposes of the preceding sentence, the “price per share for which Common Stock is issuable upon such conversion or exchange” is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or sale of all such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities.

(e) Share Purchase Rights. If, at any time when any Notes are issued and outstanding, the Borrower issues any convertible securities or rights to Common stock, warrants, securities or other property (the “Purchase Rights”) pro rata to the record holders of any class of Common Stock, then the Holder of this Note will be entitled to acquire, upon the terms applicable to such Share Purchase Rights, the aggregate Share Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without regard to any limitations on conversion contained herein) immediately before the date on which a record is taken for the grant, issuance or sale of such Debt Settlement Rights or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Debt Settlement Rights.

(f) Notice of Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price as a result of the events described in this Section 1.6, the Borrower, at its expense, shall promptly compute such adjustment or readjustment and prepare and furnish to the Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Borrower shall, upon the written request at any time of the Holder, furnish to such Holder a like certificate setting forth (i) such adjustment or readjustment, (ii) the Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon conversion of the Note.

1.7 Trading Market Limitations. Unless permitted by the applicable rules and regulations of the principal securities market on which the Common Stock is then listed or traded, in no event shall the Borrower issue upon conversion of or otherwise pursuant to this Note and the other Notes issued pursuant to the Debt Settlement Agreement more than the maximum number of shares of Common Stock that the Borrower can issue pursuant to any rule of the principal United States securities market on which the Common Stock is then traded (the “Maximum Share Amount”), which shall be 4.99% of the total shares outstanding on the Closing Date (as defined in the Debt Settlement Agreement), subject to equitable adjustment from time to time

for stock splits, stock dividends, combinations, capital reorganizations and similar events relating to the Common Stock occurring after the date hereof. Once the Maximum Share Amount has been issued, if the Borrower fails to eliminate any prohibitions under applicable law or the rules or regulations of any stock exchange, interdealer quotation system or other self-regulatory organization with jurisdiction over the Borrower or any of its securities on the Borrower's ability to issue shares of Common Stock in excess of the Maximum Share Amount, in lieu of any further right to convert this Note, this will be considered an Event of Default under Section 3.3 of the Note.

1.8 Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder's allocated portion of the Reserved Amount or Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if the Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies (including, without limitation, (i) the right to receive Conversion Default Payments pursuant to Section 1.3 to the extent required thereby for such Conversion Default and any subsequent Conversion Default and (ii) the right to have the Conversion Price with respect to subsequent conversions determined in accordance with Section 1.3) for the Borrower's failure to convert this Note.

1.9 Prepayment. Notwithstanding anything to the contrary contained in this Note, at any time during the period beginning on the Issue Date and ending on the date which is ninety (90) days following the issue date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any notice of prepayment hereunder (an "Optional Prepayment Notice") shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the date fixed for prepayment (the "Optional Prepayment Date"), the Borrower shall make payment of the Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Optional Prepayment Amount") equal to 140%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Optional Prepayment

Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

Notwithstanding anything to the contrary contained in this Note, at any time during the period beginning on the date of the invoices listed on Exhibit B, which is ninety-one (91) days following the issue date and ending on the date of the invoices listed on Exhibit B, which is one hundred fifty (150) days following the issue date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any Optional Prepayment Notice shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice.

On the Optional Prepayment Date, the Borrower shall make payment of the Second Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Second Optional Prepayment Amount") equal to 145%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Second Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

Notwithstanding anything to the contrary contained in this Note, at any time during the period beginning on the date of the invoices listed on Exhibit B, which is one hundred fifty-one (151) days following the issue date and ending on the date which is one hundred eighty (180) days following the issue date of the invoices listed on Exhibit B, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any Optional Prepayment Notice shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the Optional Prepayment Date, the Borrower shall make payment of the Third Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Third Optional Prepayment Amount") equal to 150%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Third Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

After the expiration of one hundred eighty (180) following the date of the Note, the Borrower shall have no right of prepayment.

ARTICLE II. CERTAIN COVENANTS

2.1 Distributions on Capital Stock. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

2.2 Restriction on Stock Repurchase. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares.

2.3 Borrowings. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, create, incur, assume guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, firm, partnership, joint venture or corporation, except by the endorsement of negotiable instruments for deposit or collection, or suffer to exist any liability for borrowed money, except (a) borrowings in existence or committed on the date hereof and of which the Borrower has informed Holder in writing prior to the date hereof, (b) indebtedness to trade creditors or financial institutions incurred in the ordinary course of business or (c) borrowings, the proceeds of which shall be used to repay this Note.

2.4 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

2.5 Advances and Loans. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, lend money, give credit or make advances to any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, subsidiaries and affiliates of the Borrower, except loans, credits or advances (a) in existence or committed on the date hereof and which the Borrower has informed Holder in writing prior to the date hereof, (b) made in the ordinary course of business or (c) not in excess of \$500,000.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise.

3.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for three (3) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by the Borrower to the Holder within forty eight (48) hours of a demand from the Holder.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Debt Settlement Agreement and such breach continues for a period of ten (10) days after written notice thereof to the Borrower from the Holder.

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Debt Settlement Agreement), shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note or the Debt Settlement Agreement.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than \$50,000, and shall remain unvacated, unbonded or unstayed for a period of

twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

3.8 Delisting of Stock. The Borrower shall fail to maintain the listing of the Stock on at least one of the OTCBB or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange.

3.9 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.11 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

3.12 Maintenance of Assets. The failure by Borrower to maintain any material intellectual property rights, personal, real property or other assets, which are necessary to conduct its business (whether now or in the future).

3.13 Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Debt Settlement Agreement.

3.14 Reverse Splits. The Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to the Holder.

3.15 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Debt Settlement Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

3.16 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the Other Agreements, after the passage of all applicable notice and cure or grace periods, shall, at the option of the Holder, be considered a default under this Note and the Other Agreements, in which event the Holder shall be entitled (but in no event required) to apply all rights and remedies of the Holder under the terms of this Note and the Other Agreements by reason of a default under said Other Agreement or hereunder. "Other Agreements" means, collectively, all agreements and instruments between, among or by: (1) the Borrower, and, or for the benefit of, (2) the Holder and any affiliate of the Holder, including, without limitation, promissory notes; provided, however, the term "Other Agreements" shall not include the related or companion documents to this Note. Each of the loan transactions will be cross-defaulted with each other loan transaction and with all other existing and future debt of Borrower to the Holder.

Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Sum (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT SUM (AS DEFINED HEREIN); MULTIPLIED BY (Z) TWO (2). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due on this Note upon a Trading Market Prepayment Event pursuant to Section 1.7 or upon acceleration), 3.3, 3.4, 3.6, 3.8, 3.9, 3.11, 3.12, 3.13, 3.14, and/or 3.15 exercisable through the delivery of written notice to the Borrower by such Holders (the "Default Notice"), and upon the occurrence of an Event of Default specified the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3.1 hereof), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment (the "Mandatory Prepayment Date") plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the "Default Sum") or (ii) the "parity value" of the Default Sum to be prepaid, where parity value means (a) the highest number of shares of Common Stock issuable upon conversion of or otherwise pursuant to such Default Sum in accordance with Article I, treating the Trading Day immediately preceding the Mandatory Prepayment Date as the "Conversion Date" for purposes of determining the lowest applicable Conversion Price, unless the Default Event arises as a result of a breach in respect of a specific Conversion Date in which case such Conversion Date shall be the Conversion Date), multiplied by (b) the highest Closing Price for the Common Stock during the period beginning on the date of first occurrence of the Event of Default and ending one day prior to the Mandatory Prepayment Date (the "Default Amount") and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs,

including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require the Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:
Source Gold Corp.
1155 Camino Del Mar #162
Del Mar, California 92014

If to the Holder:

Syndication Capital LLC
1401 Camino Del Mar #202
Del Mar, California 92014

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Notes issued pursuant to the Debt Settlement Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an "accredited investor" (as defined in Rule 501(a) of the 1933 Act). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of Nevada or in the federal courts located in the state and county of Clark. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law.

Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Debt Settlement Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Debt Settlement Agreement.

4.9 Notice of Corporate Events. Except as otherwise provided below, the Holder of this Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Note into Common Stock. The Borrower shall provide the Holder with prior notification of any meeting of the Borrower's shareholders (and copies of proxy materials and other information sent to shareholders). In the event of any taking by the Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for, purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any proposed sale, lease or conveyance of all or substantially all of the assets of the Borrower or any proposed liquidation, dissolution or winding up of the Borrower, the Borrower shall mail a notice to the Holder, at least twenty (20) days prior to the record date specified therein (or thirty (30) days prior to the consummation of the transaction or event, whichever is earlier), of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time. The Borrower shall make a public announcement of any event requiring notification to the Holder hereunder substantially simultaneously with the notification to the Holder in accordance with the terms of this Section 4.9.

4.10 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this date June 1, 2014

Source Gold Corp.

Signed: __Dugald Pinchin_____

EXHIBIT A
NOTICE OF CONVERSION

The undersigned hereby elects to convert \$ _____ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of Source Gold Corp., a Nevada corporation (the "Borrower") according to the conditions of the convertible note of the Borrower dated as of June 1, 2014 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

- The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:
Account Number:

- The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Syndication Capital LLC
Del Mar, CA 92014
Attention: Certificate Delivery

Date of Conversion: _____
Applicable Conversion Price: \$.001
Number of Shares of Common Stock to be Issued
Pursuant to Conversion of the Notes: _____
Amount of Principal Balance Due remaining
Under the Note after this conversion: _____

By: _____
Title: President.
Date: _____

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14**

I, Edward Aruda, certify that:

1. I have reviewed this Annual Report on Form 10-K of Source Gold Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2014

/s/ Edward Aruda

By: Edward Aruda

Its: Principal Executive

Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14

I, Edward Aruda, certify that:

1. I have reviewed this Annual Report on Form 10-K of Source Gold Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2014

/s/ Edward Aruda

By: Edward Aruda

Its: Principal Financial
Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Source Gold Corp., (the "Company") on Form 10-K for the year ending July 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward Aruda, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Edward Aruda

By: Edward Aruda

Principal Executive Officer and Principal Financial Officer

Dated: November 12, 2014

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.